Guinness Global Investors

Stewardship Code Report

Reporting Period:

1st January 2022 – 31st December 2022

GUINNESS GLOBAL INVESTORS

Contents

Foreword

This report explains how Guinness Global Investors has applied the UK Stewardship Code 2020.

At 31st December 2022, 94% of the assets under management ("AUM") at Guinness Global Investors was invested in equities. This is therefore the main focus of this report. Our Private Equity Funds ("Ventures") and Multi Asset Funds accounted for 4% and 2% of total AUM respectively at 31st December 2022. We address the Ventures approach where relevant. Guinness Global Investors performs a different role in respect of the Multi Asset Funds. Our Multi Asset Funds apply investment decisions made by a third party (itself a signatory of the UK Stewardship Code 2020) to a fund structure which is accessible to investors, and differences in approach are also covered where relevant.

Guinness Global Investors is a trading name of Guinness Asset Management Limited. Guinness Asset Management Limited has two sister companies: Guinness Atkinson Asset Management, which manages funds for US investors, and Guinness Capital Management, which provides seed capital for new funds. As such, the activities of these two companies do not apply the UK Stewardship Code.

Message from the CEO

As we reach the 20th anniversary of the founding of Guinness Global Investors in 2003, we are delighted to publish our 2022 Stewardship Report, covering our stewardship approach, activities, and outcomes over the calendar year, covering the 12 principles set out in the 2020 iteration of the UK Stewardship Code.

The 20th anniversary makes us reflect on our achievements as a company over the past two decades. The development of our responsible investment approach has a central place among them, building on the strong sense of fiduciary duty from many years of experience in the asset management industry. Beginning with the launch of our first dedicated sustainable strategy in 2006, we have developed a consistent approach to stewardship throughout our investment activities. We have received external recognition of this when we were accepted as a signatory to the Stewardship Code in 2022.

In September 2022 we received our latest PRI Assessment Report. We were awarded 4 out of 5 for Investment & Stewardship Policy and Incorporation (Active Fundamental) and 3 out of 5 for Voting (Active Fundamental). Since 2020, the period assessed, our approach has evolved considerably, in particular our voting activity, where we expect to score materially better in the next assessment.

We continue to develop our internal ESG activity, including recording our company level scope emissions, encouraging greener approaches to how the business and staff operate, mentoring through the Grocer's initiative and GAIN, and providing in-house ESG training at company level.

I hope you enjoy reading this report. As always, we welcome your feedback and any comments.

Edward Guinness

Chief Executive Officer

Purpose and Governance

Principle 1 – Purpose, strategy, and culture

We aim to fulfil client mandates while investing and acting responsibly.

Our Purpose

Guinness Global Investors is an employee-owned, independent company focused entirely on investment management. Established in 2003 by Founder and Chairman Tim Guinness, our team has extensive investment experience, including Tim's co-founding and management of Guinness Flight Global Asset Management before its sale to Investec Bank in 1998.

Our in-house economic, industry and company research allows us to take an independent view and not be led by the market. Our size and specialist nature also enable us to respond quickly and efficiently to market movements. At heart Guinness Global Investors is a value (or growth at reasonable value) investor. We combine strategic sector selection with a fundamental screening process to identify stock opportunities.

Our investment philosophy

Guinness Global Investors provides actively managed portfolios in a selection of asset classes and specialist sectors. We invest long-only and with low turnover, giving us long holding periods.

We combine strategic sector selection with a fundamental screening process to identify companies to analyse and assess in detail. We believe companies that have achieved sustainable growth in cashflows and have managed their business well through the economic cycles are likely to continue to do so.

Fundamental data and rigorous in-house research are the cornerstones of our investment process. This includes considering the impact of environmental, social and governance factors, which has evolved over time as more relevant data has become available. We believe that incorporation of ESG factors as part of our detailed company analysis enables us to enhance rather than fundamentally alter our investment process. Behaving responsibly from an environmental perspective is a good indicator that company management are thinking long-term.

We do not outsource ESG and stewardship activities to third parties or even to a separate responsible investment team; we believe they are integral to the investment process applied by the investment team.

Guinness Global Investors became a signatory of the UN Principles for Responsible Investment in 2019. As a result, we are committed to the following:

- We incorporate ESG issues into investment analysis and decision-making processes.
- We are active owners and incorporate ESG issues into our ownership policies and practices.
- We seek appropriate disclosure on ESG issues by the entities in which we invest.
- We promote acceptance and implementation of the Principles within the investment industry.
- We work together with other signatories to enhance our effectiveness in implementing the Principles.
- We report on our activities and progress towards implementing the Principles.

The principles which follow highlight the influence our purpose and investment beliefs have on our stewardship activity, investment strategy and decision-making.

Our culture

Investment Philosophy

Guinness is a value (or growth at reasonable value) investor. We combine strategic sector selection with a fundamental screening process to identify stock opportunities.

We believe it is important for portfolio managers to explain investment performance with clients directly, to promote a direct sense of accountability for investment decision-making.

Ownership

Our culture is shaped by our ownership. Guinness Global Investors is owned entirely by its employees. The founder retains a majority share in the company which provides long-term stability, direction, and perspective. Equity ownership for key staff (including portfolio managers) creates an alignment of interests in the long-term success of the company.

Long-term thinking

Portfolio managers are typically invested in the strategies for which they are responsible, further aligning interests with other investors. With an incentivised, collaborative, and stable team we have been well placed to develop our stewardship activities which by nature require a long-term view and a shared approach. The effectiveness of our culture in contributing to our stewardship approach is shown by the common progress made by all investment teams, the introduction of shared tools and resources, and continuing collaboration on stewardship via the Responsible Investment Committee.

Professionalism

Employees are encouraged to take additional professional qualifications alongside their job to add to their strong educational experience and help with their continuing professional development.

Commitment and Teamwork

The distribution of equity among the team aligns interests. We try to maintain a ‘flat’ management structure, which we believe promotes transparency and accountability, and a collegial atmosphere in the investment team where ideas and best practice are shared. It has helped to maintain a low turnover of staff, with average retention ratio of 95% over the past three years.

Our values

We believe in intelligent solutions for long-term investing in a rapidly changing world. This means having a methodology for building portfolios that is logical, robust, repeatable, while remaining consistent with our core investment beliefs and our duty to invest responsibly. Active management, high conviction and identifying value are the central pillars of our philosophy and they are delivered in the form of concentrated, equally weighted portfolios.

We value our independence and believe it enhances our ability to act as effective stewards of investors’ capital. That independence manifests itself in several ways. We have the internal economic, industry and company research that allows portfolio managers to form an independent view on stocks. We are free to vote and engage with companies without encumbrance by external interests. We construct our portfolios independently of benchmarks, increasing investor choice by offering portfolios without the influence of index weightings. Just as we value our own independence, we are able to promote independence on the part of investors through daily pricing and liquidity of all our portfolios, giving them discretion over whether to remain invested.

We also empower investors through transparency; of our portfolios, in their simple, equal-weight construction and in disclosing all holdings periodically, and of our investment approach, by clearly articulating our processes and rationales in our regular investment commentaries.

Through these measures, our central values of independence and transparency help us not only to treat customers fairly but to offer stewardship, in its fullest sense, of investors’ capital.

Our business model

Our business model is based on the active management of portfolios on behalf of individual and institutional investors. The firm is remunerated with fees based on the amounts of assets under management. We do not manage any ‘tethered’ assets; instead, we manage portfolios for external investors in a highly competitive marketplace. Although our strategies are designed for the long term, investors are free to redeem their holdings daily. This model gives us strong incentives to deliver the investment outcomes and effective stewardship that investors demand.

Our strategy

Being independent and focussed purely on investment management, our strategy is to grow our business by attracting investors to our products and growing their investments. We therefore aim for consistent risk-adjusted performance and predictable investment characteristics, both of which are aided by our integration of ESG data, and a robust stewardship approach. Effective stewardship thus lies at the heart of our strategy for asset growth. Accordingly, we have developed our approach to stewardship in response to investor demand in several ways: investing in additional data to support our incorporation of ESG factors into the investment process; becoming signatories to the Principles for Responsible Investment; and scaling up our activity and dedicated resource, as described in this report. Investment activity and practices are discussed and analysed weekly in investment team calls and the responsible investment aspects are discussed in more depth in our quarterly Responsible Investment Committee meetings. This ensures our established purpose and investment beliefs are executed effectively across the investment teams. While there may be differences in practical application by teams according to strategy, these steps contribute to enabling effective stewardship and enhance effectiveness of our investment activity and decision-making.

Stewardship: Ventures Business Model and Strategy

While the investment philosophy, culture and values at Guinness run through all our investment teams, the Ventures team business model and strategy is tailored to the investment characteristics of its products.

The Ventures team is focused on investment into small, illiquid, typically private companies that require scale-up capital. The value of these businesses is often underpinned by experienced management teams, good visibility on future revenue growth and expanding capital requirements. We target a portfolio of ten companies for investors, with portfolios for the last eight tranches containing eleven investments on average. We have found this approach provides an excellent balance between the benefits of diversification and the benefits of creating concentrated, high-conviction portfolios.

The Ventures team works closely with the investee companies to support management teams. This is done through taking Director or Observer positions on the boards of investee companies, allowing us to provide guidance to investee companies on organisational approach, which is fundamental to effective stewardship activity.

Environmental and Social Benefits

We believe it is important to apply the high standards we expect of our portfolio holdings to our own activities. Accordingly, we aim to be a good corporate citizen in the communities where we work and have clients.

In line with our desire for our companies to report emissions data, we believe it is consistent for us to record and publish our own emissions data. Since 2018, Guinness Global Investors has had a Carbon Usage Policy. We have procedures in place to improve the environmental footprint of the company including recycling initiatives, energy efficient lighting, electrical vehicle leasing and cycle to work schemes for employees. Further details can be found in our Carbon Usage Policy.

We are committed to diversity and inclusion to cultivate a positive work environment, engender fairness and respect for all, embrace differences in individuals and oppose all forms of unlawful discrimination. To help ensure our work practices evolve, we established a Diversity & Inclusion ("D&I") Committee. The D&I Committee meets quarterly to discuss D&I strategy and initiatives to encourage diversity and inclusion among our workforce, such as enhancing our recruitment processes, internship programmes, employment policies and procedures and staff training. The aim is to cultivate a positive work environment where each employee feels respected and able to give their best. We track relevant statistics such as employee diversity and retention ratios. We also maintain a Diversity & Inclusion Policy.

Diversity is regularly measured and recorded. While recruitment is merit based, the encouragement of diversity is a consideration in our process. In order to ensure that our recruitment processes are not a barrier to increasing employee diversity, we aim to make the pool of candidates from which we recruit reflective of the society in which we operate. For example, additional recruitment channels have included GAIN, which has a goal to improve gender diversity in investment management, and Inspiring Interns.

As for any employer, an area of concentrated social responsibility for Guinness Global Investors is to its employees. As a responsible employer we aim to promote employee wellbeing through a range of benefits including coaching opportunities. We encourage and provide personal development of all employees through sponsorship of professional qualifications. Four employees of the investment team have been awarded the CFA Certificate in ESG Investing to date. The opportunity to take this qualification is available to all employees.

We also participate in community work. Since 2013, we have partaken in the Grocer's initiative. This innovative programme designed by City livery companies is to engage with state schools to help stimulate business and entrepreneurial skills among their sixth-form pupils, with a particular focus on schools from lower income and under-represented areas.

Serving the best interests of clients and beneficiaries

We believe that our culture, values, strategy, and business model contribute to our effectiveness in serving the best interests of clients and that we have been effective in doing so. A detailed examination of investment performance of our strategies is outside the scope of this report but can be found in the investment commentaries produced by portfolio managers on each strategy and available on our website.

During the reporting period, in developing further our effectiveness in stewardship of client assets, we have:

- Governance
  - Continued to develop the effectiveness and collaboration within our Responsible Investment Committee
- Products
  - Classified six funds as Article 8
- Systems Development
  - Continued to use Glass Lewis to inform our proxy voting
  - Developed the monitoring process for our voting activity
- Engagements
  - Participated in new collaborative engagement initiatives for example the CDP non-disclosure campaign
  - Continued our journey with CA100+ and Devon Energy
- Training
  - Hosted in-house ESG training to all employees of the firm to provide education in and around ESG and Stewardship
- Data & Resources
  - Updated 'Approach to Responsible Investment and ESG' documents for relevant funds
  - Taken on additional research from MSCI to support our analysis of ESG factors
  - Developed an in-house model to measure and track Principle Adverse Impacts in our Article 8 and Article 9 funds
- Policies & Resources
  - Published a Good Governance Policy

How we assess the effectiveness of our stewardship activities is described in this report:

- Principle 5 – we lay out some of the ways in which we monitor stewardship outcomes;
- Principle 7 – we describe the process by which we integrate ESG data into our investment processes;
- Principle 9 – we report on our engagement activity; and
- Principle 12 – we report on voting.

Principle 2 - Governance, resources, and incentives

We are a privately owned business, with increasing breadth of employee ownership and the Chairman as majority shareholder providing long-term strategic stability.

Oversight of our stewardship activity

The ultimate responsibility for stewardship at Guinness Global Investors is at board level and lies with our Chief Executive Officer. Our CEO chairs the Responsible Investment Committee, which includes all portfolio managers and has the objective of developing, performing, and monitoring ESG incorporation and stewardship activities within Guinness Global Investors. The Responsible Investment Committee meets at least quarterly, and the Responsible Investment Policy is reviewed quarterly and made publicly available on our website at https://www.guinnessgi.com/literature.

Adherence with our policies on stewardship and with mandate requirements is monitored by the CIO and the Responsible Investment Committee. In a spirit of transparency, investment decisions are communicated to investors in our regular (typically monthly or quarterly) investment commentaries. We disclose our full portfolio holdings monthly to third-party data providers and at least annually in our investment commentaries.

Stewardship resources

Organisational and workforce structures

Guinness Global Investors' Board consists of the five directors of the firm, including the CEO, Edward Guinness, Edmund Harriss as CIO, and our founder and chairman Tim Guinness. As the highest body in our governance structure, the Board decides strategy and objectives and is responsible for directing all areas of Guinness Global Investors' business. It is therefore where ultimate responsibility lies for our stewardship approach. The Board meets quarterly.

The Monthly Management Committee is made up of all directors, portfolio managers and key staff from all departments of the firm. The committee meets monthly to cover all day-to-day business of the firm as its main executive decision-making body. Key roles for stewardship in the committee are as follows:

- The CEO chairs the committee and ensures that stewardship is embedded in all relevant areas of the firm. He also chairs the Responsible Investment Committee.
- Portfolio Managers are responsible for day-to-day implementation of our responsible investment approach.
- The Sales & Marketing team, in managing communications with investors, presents investor feedback on stewardship matters and is responsible for articulating our stewardship approach to investors.
- The Compliance & Risk team ensures that regulatory standards are met and that communications with investors meet necessary requirements.
- The Ventures team is responsible for working alongside investee companies to ensure implementation of our responsible investment approach.

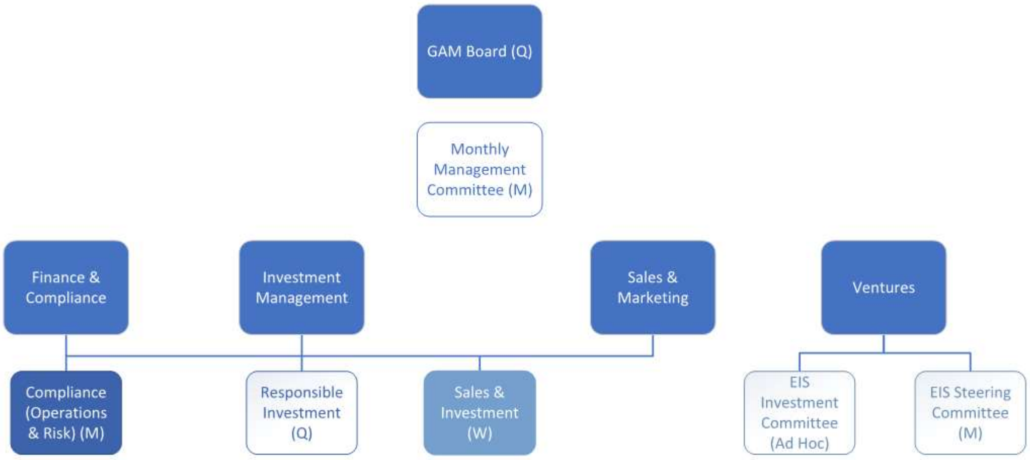
The Responsible Investment Committee is chaired by the CEO and includes all portfolio managers and representatives from the Compliance & Risk team and Ventures team. It monitors the implementation of our responsible investment approach. This includes but is not restricted to the following:

- Incorporation of ESG approach
- Investment team engagement with investee companies
- Investment team voting, including instances when third-party proxy advisers are not followed
- Collaborative initiatives
- Regulatory requirements
- Assessment of responsible investment capabilities and training requirements
- Staff and resourcing needs of our responsible investment approach
- Public Relations matters around responsible investment

Other forums important to our stewardship activity are the monthly Compliance (Operations & Risk) committee, Best Execution Committee and the weekly Sales & Investment meetings. A schematic of key oversight structures is shown below.

Oversight structures

Figure 1: Key Oversight Structures



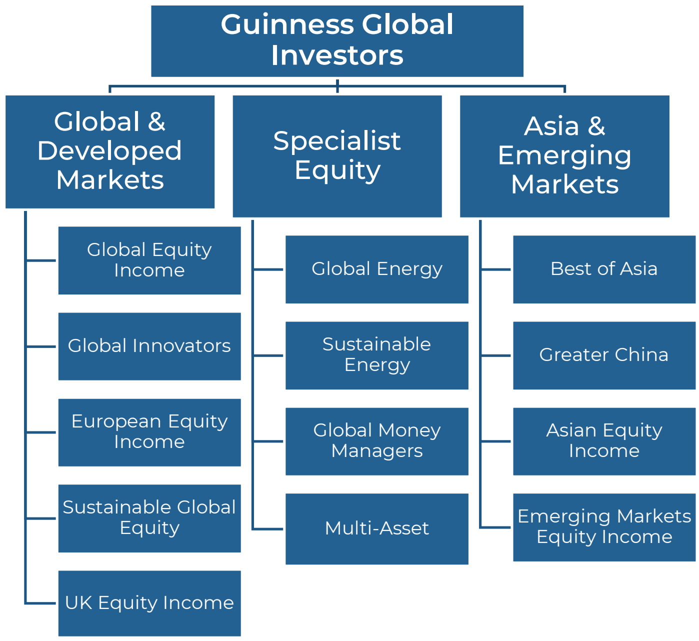
M/Q/W: Committee meets monthly, quarterly, weekly

Investment Team (long-only funds)

Figure 2 shows the organisation of our investment team and the strategies we manage. Within the broad investment team there are three individual teams; Global & Developed Markets, Specialist Equity and Asia & Emerging Markets, all of which manage several different investment strategies. A major focus of each team is to invest in companies which have a history of generating high returns on investment. Our research indicates that these 'quality' companies are likely to continue to generate such high returns, leading to outperformance over time.

We manage funds which aim to harness the growth trends of the next few decades. Directing capital to areas where it can generate a return naturally has a wider economic benefit – be it in securing energy supplies for the future, in driving further improvements in living standards in Asia and Emerging Market countries, or in encouraging the best companies in the world to expand – and this is a feature of all successful investment. Our aim is to do it in a way which also gives the investor a return.

Figure 2: Investment team key funds organisational chart



Team Characteristics

Responsibility for day-to-day consideration of responsible investment, ESG Incorporation and stewardship lies with the investment teams themselves. We do not have a separate ESG team that carries out individual company ESG work; instead, the weight of this analysis falls on the analysts and portfolio managers who make the ultimate investment decisions. They are supported by our Responsible Investment analyst. We believe that this is the best way to make investment decisions and is consistent with our investment philosophy that responsible investment and ESG factors are an integral part of the investment process. It also ensures that the individuals responsible for our stewardship activity have suitable seniority and experience.

Our efficient investment processes – based on intelligent screening for the prioritisation of research – have the flexibility to incorporate ESG data and include new data and research over time. Analysing the increasing amount of information available is facilitated by having analyst support for the portfolio managers and by communication and sharing of analysis between teams. In April 2021, we recruited a dedicated Responsible Investment Analyst who provides support to all investment teams and prepares company-wide analysis and materials.

Our investment personnel

Table 1: Long-only equity investment personnel experience

Strategies covered	Personnel	Average industry experience (years)
Global & Developed Markets	6 Portfolio Managers 2 Investment Analysts	16
Asia & Emerging Markets	3 Portfolio Managers 1 Investment Analyst	14
Specialist Equity	2 Portfolio Managers 2 Investment Analysts	17
Total investment team (inc. dedicated Responsible Investment Analyst)	11 Portfolio Managers 6 Investment Analysts 1 Intern	15

The investment team is at the heart of our investment management and stewardship activity. We are confident that we have not only a well-resourced team, but also a well-qualified one. Its 18 members, who have an average of 15 years' investment industry experience, have collectively achieved a variety of bachelor's degrees from history to physics, 12 Master's degrees, one PhD, nine CFA Charterholders, one CISI membership and one CAIA Charterholder, while two are Chartered Accountants. Four members of the team have completed the CFA Certificate in ESG Investing. Further training is coordinated by the Compliance & Risk team, while specific training in stewardship is a standing agenda item of the Responsible Investment Committee. The investment team includes a dedicated Responsible Investment Analyst recruited in 2021 to support all portfolio managers with data and reporting.

Ventures

The Ventures team of 16 has over 100 years of investment experience. Academic and industry qualifications gained across the team include 11 Bachelor's degrees, 5 Master's degrees, one PhD in Physical Chemistry, one CFA Charterholder, 3 Chartered Accountants and 1 member of the Chartered Institute of Securities. Members have been taking ESG training, and the team has integrated ESG into the due diligence process.

Diversity & Inclusion

In 2021 we introduced a Diversity and Inclusion ("D&I") Committee. The D&I Committee meets quarterly to discuss D&I strategy and initiatives to encourage diversity and inclusion among our workforce, such as enhancing our recruitment processes, internship programmes, employment policies and procedures and staff training. The aim is to cultivate a positive work environment where each employee feels respected and able to give their best. Under our Diversity & Inclusion Policy we are committed to diversity and inclusion to cultivate a positive work environment, engender fairness and respect for all, embrace differences in individuals and oppose all forms of unlawful discrimination. 10% of Guinness Global Investors employees are non-white British and 27% are female. We will continue to explore ways to ensure diversity in our investment team, where we have a lower proportion of female fund managers and analysts, and are using specific recruitment tactics to ensure this proportion can increase.

Members of our Investment and Sales teams are working directly with GAIN (Girls Are INvestors). GAIN is a charitable initiative which seeks to increase gender diversity in the investment management industry. GAIN offers talks, educational resources, career support and mentoring to inspire and encourage girls to enter the industry.

Training

Led by the Compliance & Risk team, we conduct thorough and regular monitoring of staff qualifications, training needs and development. In addition to regular training and assessment of investment team members on operations, trading, and regulatory requirements, we aim to identify areas where we can benefit from additional training, including on matters explicitly related to stewardship such as ESG data integration or our commitments under the Principles for Responsible Investment.

We encourage continuing professional development of employees and support those wishing to pursue further educational qualifications. All members of the investment team are encouraged to pursue CFA certification and the CFA Certificate in ESG Investing. Four members of the team have achieved the CFA Certificate in ESG Investing since its inception. In 2022, a member of the investment team also completed the joint ACCA CFA Climate Finance course.

We have introduced firmwide ESG training. This includes but is not limited to education on ESG, the responsible investment activity conducted at Guinness, stewardship activity and the consideration of ESG factors in the investment process. This allows us to ensure all employees in the firm are familiar with the responsible investment and ESG activity that is conducted across the firm.

Systems, processes, research and analysis, and service providers

Our investment process has been developed to allow our portfolio managers to make decisions independently, efficiently, with conviction and with responsible investment principles fully integrated. Our systems, processes, research, and analysis are resourced accordingly. We use various resources to support our investment research and analysis of ESG factors in portfolio holdings and potential investments. We use public sources including annual reports, sustainability (or similar) reports, press releases and earnings presentations. Specialist investment data sources used include Bloomberg and research from brokers such as Credit Suisse and Morgan Stanley. For investment analysis most specifically related to ESG factors, such as emissions and climate data, diversity indicators and governance characteristics, we use MSCI, Glass Lewis and other third-party sources. We make use of publicly available information for ESG analysis from a variety of sources including Climate Action 100+, Glassdoor, and LinkedIn. The data we use can be usefully benchmarked against relevant indices from index providers. This research is used to inform our investment decisions and complements bespoke in-house analysis and assessment of particular issues. We do not rely on the recommendations or opinions of research providers or third-party ESG scores. We discuss examples of how this data is embedded into the analysis process under Principle 7. Further detail on third-party service providers can be found under Principle 8.

Voting recommendations are provided to us by Glass Lewis, a proxy voting adviser. The investment team members themselves are responsible for reviewing Glass Lewis voting recommendations with the support of our Responsible Investment Analyst. Under Principle 12 we elaborate on our voting process.

Ventures

The investment process for the Ventures team embeds stewardship throughout, as the team works directly with the prospective investee companies. From the beginning, a comprehensive ESG diligence process is undertaken to ensure that from screening through to investment, ESG considerations are at the forefront of the process. ESG topics are recorded through questionnaires with the companies, allowing for targets to be set for companies to improve and for progress to be monitored. ESG metrics are tracked within the portfolio companies and published on an annual basis. The investment committee reviews memos, sets budgets and timelines to ensure objectives are met. A team member will usually take a board seat on the investee companies, or an observer role where appropriate, and regular management reports and financial statements allow Guinness to monitor and advise the company. This enables continuous stewardship activity to take place, with ongoing direct engagement and influence on the running of the organisations.

Incentivisation

Guinness Global Investors is owned by its employees, which we believe creates a strong incentive for the robust stewardship practices which investors demand since the firm's value and income generation depend on attracting investor capital into our funds. As stewardship has become more valued by investors, our ability to demonstrate effective stewardship has become critical to attracting flows. This is especially true for Guinness as the manager of strategies explicitly focused on sustainability.

We enhance accountability and extend the alignment of incentives to our responsible investment approach by incorporating responsible investment factors into employee remuneration. Employees are compensated with both fixed and variable remuneration, with variable remuneration determined by a qualitative review by senior management. This review incorporates an assessment of the individual's contribution to the success of both their team and the firm, in addition to the financial success of the company and compliance with our policy on responsible investment. Our Remuneration Policy complies with remuneration requirements imposed by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

Our governance structures and processes – effectiveness and development

As active managers who place responsible investment at the heart of the investment process, we believe that resourcing our stewardship activities with the investment team itself, with dedicated assistance as required, is the best way to ensure effective stewardship. Our governance around responsible investment has demonstrated effectiveness in responding to demand for resources for effective stewardship, most notably in the reporting period with dedicated responsible investment personnel and investment in ESG data.

We have also improved our reporting functions within stewardship to clients. We have begun reporting our voting data in more depth and are currently developing our engagement data to demonstrate our achievements in this field. We publish our voting data quarterly on our website. We discuss this more under Principle 12. Under Principle 5, we discuss monitoring in further detail. We expect further development of our stewardship approach. In the near term this will include more transparency to clients on stewardship activity, and increased training for the whole team on ESG matters. In the longer term, we expect our approach to stewardship to evolve with the increasing quantity and quality of analysis.

One measure of our effectiveness and development is through our UN Principles for Responsible Investment ("UN PRI") submission. The assessment results for our 2021 submission are as below. Further details can be found under Principle 5.

Ventures

The Ventures team approaches stewardship more directly with investee companies due to its close contact with companies' management. By having explicit involvement on investee company boards, members of the Ventures team can have the most direct influence on a company. The team have worked to improve ESG integration among investee companies, helping them to enhance disclosure of core metrics. By developing this reporting function, it highlights areas for improvement within the investee companies. Collaborative work between our Responsible Investment Analyst and the Ventures team allows for organisational alignment between the teams, to ensure the most effective stewardship activity can take place across Guinness Global Investors.

Principle 3 – Conflicts of interest

We will always endeavour to act in our clients' best interests.

Conflicts of Interest Policy

When making investment decisions, or buying products and services for customers, we have a duty to act in customers' best interests and put customers' interests ahead of our own. We must also treat customers fairly. Conflicts of interest that arise or may arise as we manage investments may damage the interests of clients. We therefore seek to identify and prevent or manage such conflicts. We believe this issue lies at the heart of stewardship.

We maintain a Conflicts of Interest Policy (summarised below), the purpose of which is:

a) to identify circumstances which constitute or may give rise to a conflict of interest
b) to ensure customers have fair access to all suitable investment opportunities
c) to specify procedures to be followed and measures to be adopted in order to prevent or manage such conflicts
d) to communicate this information to our employees.

Situations in which conflicts of interest may arise include the following:

a) Trading for House Accounts

Guinness Global Investors does not trade on its own account or invest in any securities which are also in a client's portfolio. The firm may invest in funds which are also its clients.

b) Trading for more than one client

There is the potential for conflict whereby one client is favoured over another, for example where clients have different fee structures or where employee remuneration varies between clients. To avoid this, we have a trade allocation policy to ensure fair treatment of clients.

For the purposes of trade allocation, clients of our associated companies Guinness Atkinson Asset Management Inc. and Guinness Capital Management Limited are subject to the same rules and are included alongside our clients.

c) Taking excessive risks with client assets

There is a potential a conflict of interest where an employee's remuneration may be asymmetrically advantaged by taking excessive risks with client assets.

To avoid this, we try to limit portfolio managers' ability to take excessive risk structurally and avoid rewards for short term performance.

Structurally, we have a portfolio construction philosophy of equal weighting portfolios (so avoiding excessive specific stock risk) and low portfolio turnover. This is complemented by transparent and regular reporting processes to clients, potential investors, and management.

Remuneration is not linked to the performance of any specific fund in any one year but is linked to the overall profitability of the business and where there is a formulaic element to the revenues of the funds managed by the relevant employees. Only the ventures team has performance fees, and these are only earned on realised profits for investors on a whole portfolio basis.

d) Personal account dealing by employees

A potential conflict of interest arises if an employee undertakes transactions in a security which is or might be held within the portfolios that we manage on behalf of our clients, particularly where an employee deals in a security ahead of clients. To avoid such a conflict, all employees are subject to personal account dealing rules which include the following measures:

- Personal Account dealing policy
- Priority is given to client orders in all circumstances
- Prior approval by the Compliance department
- Regular reporting and review by the Compliance department
- Prohibition on the use of inside information; personal deal reporting rules; strict insider confidentiality rules; and 'Restricted List' processes where applicable to ensure the prohibition is effective.

Staff dealing is monitored at the time of the deal and reported quarterly and annually. Internal control procedures are in place.

e) Inducements, particularly in the form of free Research, Gifts and Hospitality

Under MiFID II we are prohibited from accepting certain inducements (including types of investment research that is either free or paid for by someone else, and unduly generous gifts and hospitality).

Guinness Global Investors meets the requirements of MiFID II by paying for investment research itself. We do not charge clients for investment research. We may accept specifically permitted gifts and hospitality of a reasonable de minimis value such as food and drink or notebooks received at a business meeting.

To ensure the rule exceptions are complied with, we keep a Gifts and Entertainments Register to record details of entertainment or corporate hospitality received where the value exceeds £100. In addition, where the value exceeds £500, prior approval is required.

f) Anti-Bribery and Corruption

The Firm has a zero-tolerance approach to bribery and corruption. The zero tolerance to bribery extends to all the Firm's business.

Staff are subject to the Firm's Code of Professional Conduct and Ethics, which includes rules on Anti-Bribery and Corruption. Employees are required to sign an annual certification of compliance with the Code.

Identifying & managing Conflicts of Interest

During the reporting period our Conflicts of Interest Policy described above has been applied as part of the Compliance & Risk team's rolling internal compliance programme. Under the policy, the Conflicts of Interest Register has been updated for 2023 with potential conflicts and external interests of employees, including new employees at induction. These are reviewed by the compliance officer to establish if any conflicts are high risk or if mitigation measures are required to be put in place. For example, if an employee is a director of a company, further investigation will be made into the company's business to clarify whether the directorship constitutes a potential conflict, and if so, the level of risk and whether mitigating measures in place are sufficient. The Conflicts of Interest Register is reviewed quarterly by the Board.

No actual conflicts of interest were identified in the reporting period at the individual level, in the situations described above, or relating to stewardship. Example scenarios in which potential conflicts of interest were managed are shown in Table 2.

Table 2: Identifying and managing Conflict of Interest Scenarios

Scenario	Political Conflict Identified	Managing the Potential Conflict
Firm-level: trading for 'mirror' portfolios	We manage multiple funds that hold the same securities. Differing fund cash flows may require the same security to be sold for one fund and bought for another.	A Trade Aggregation and Allocation Policy is in place. When this happens, both buy and sell orders will be placed in the market to achieve best execution for both clients.
Stewardship: Voting on securities held in common	Different investment teams may vote differently on the same securities when held under more than one strategy.	While they do not confer prior to voting, portfolio managers are responsible individually for making voting decisions according to their view of clients' best interests, subject to our Proxy Voting Policy.
Employee-level: external interests	Employees of Guinness Global Investors have external interests, including in the investment management industry.	The nature of business conducted and the employee's role in connection with external interests are checked to ensure that there is no actual conflict of interest. The Compliance & Risk team maintains a Conflict of Interests register which records external roles held by employees.
Employee-level: Remuneration	Incentive structures for employees in the Investment team could increase the risk of inappropriate recommendations or risk-taking in conflict with	The company has a Remuneration Policy in place that is maintained and reviewed by the Compliance & Risk team. It ensures that employees in the investment team

	maximising shareholder value in the long term.	are not remunerated solely based on performance of stock recommendations or results. Remuneration is aligned to the long-term performance of the business.
Employee-level: Inside information	*From time to time, employees may become party to inside information, e.g., via market soundings.*	The company operates a total prohibition on the use of inside information relying on an appropriate mix of the prior approval rules; personal deal reporting rules; strict insider confidentiality rules; and 'Restricted List' processes where applicable to ensure the prohibition is effective.

Principle 4 - Promoting well-functioning markets

The responsibility for assessing evolving market-wide and systemic risks lies at board level, delegated for day-to-day management to our executive and investment teams. Assessments are made based on the relevant market and characteristics of the strategies under management.

Identifying & responding to market-wide & systemic risks

Our business model and the integrated nature of financial services requires Guinness Global Investors to be an outward-looking company. Risks in the business environment in which we operate are regularly assessed at the highest level, including by the company's board of directors. There are several other forums in which emerging and current market-wide and systemic risks can be identified and considered, including the investment team's monthly meeting to consider the macro environment, quarterly Responsible Investment Committee meetings and monthly meetings of senior management.

Guinness Global Investors regularly engages with a number of external stakeholders, for example, service providers, clients, peers, industry groups which helps to identify risks. We are also members of UKSIF, Investment Association (IA) and Independent Investment Management Initiative (IIMI) and take part in member consultations and round tables which inform the organisation's policy engagement with the UK government.

As investment managers benefiting from a well-functioning financial system, we recognise our obligation to address market-wide and systemic risks in addition to investment risk, operational risk, and other risks we seek to control. Our response to market-wide and systemic risks takes several forms:

- We offer products with straightforward investment structures such as our open-ended funds with daily liquidity for investors
- Our equity funds take a long-only approach, with no short positions, derivatives, or over-the-counter products
- Our equity funds take a long term, 'buy and hold' approach
- Our equity funds do not use leverage
- We manage highly liquid investments and monitor the liquidity of holdings closely
- Our equity selection approach favours profitable companies with robust balance sheets
- We value 'knowing what you own' and understanding the numbers – and typically we avoid 'story' stocks with high valuation multiples.

Our intention in taking such measures is both to protect investors in our products from market-wide risks and to contribute to the proper functioning of markets by offering stable and liquid investment options to investors. The relevance of our contribution to the proper functioning of markets will increase as the assets under our management grow.

While Guinness Global Investors does not take political positions as a business, we recognise that the company could nevertheless be perceived to have a political voice which could affect the wider discourse around responsible investment in the industry and political arena. Guinness Global Investors does not make political donations. To further ensure that public perception of Guinness Global Investors' stance on responsible investment is consistent with our objectives, the Responsible Investment Committee (chaired by the CEO) reviews any public relations activity concerning responsible investment with reporting from a representative of the sales and marketing team.

During the reporting period we have responded to several risks including the ongoing impacts of Covid-19 and the climate emergency. We comment on these as follows.

COVID-19

In order to ensure resilience of our operations we maintain a Disaster Recovery Policy and procedures. These have considered the risk of disruption due to a pandemic and of the office being inaccessible, and contained measures to mitigate it, for several years.

Aspects of our disaster recovery procedures remained in place during the reporting period to manage the remaining systemic risk presented by Covid-19. In 2020, Guinness had adapted to a larger online presence following its transition to working from home, interacting with investors through online client meetings and webinars, and amending dealing procedures to replicate any activities that were previously linked to an individual being in the office.

Related risks which became apparent in the particular circumstances of the pandemic, such as increased risk of cyber-attacks and decision-making risk, were systematically incorporated into our risk assessment and we took appropriate incremental measures to address these risks. Risks to our investments were assessed continuously as part of the investment team's day-to-day monitoring.

How we align our investments accordingly
In general, as long-only investors with a focus on the financial quality of securities in our portfolios, our philosophy places greater importance on actively seeking investments where resilient business models have the potential to create value in the long term than reactively addressing the varying drivers of financial markets. The disruption arising from the pandemic did not prompt any large or sudden changes to our portfolios. Nevertheless, all holdings and the macro environment are reviewed regularly by the investment team.

Regulatory change
The potential impacts of regulatory change are considered frequently by the Senior Management Committee. The Compliance & Risk team is responsible for monitoring compliance with both national and international laws, regulations and internal policies. This is achieved through the continuous process of scanning for changing laws and regulation, identifying the areas in which it impacts the Firm, changing policy and implementing policy change, and monitoring. The Compliance & Risk team uses an external compliance consultant to ensure it keeps abreast with regulatory updates as well as receive advice from its Irish Legal advisors to the relevant funds on a periodic basis.

How we align our investments accordingly
When considering the impact on investments from regulatory change, we are guided by our philosophy much as described above; that is, in taking a long-term view, thinking about the problem from an investors' perspective and paying close attention to the individual securities in which clients' capital is invested. We continue to monitor both the evolving rules and regulations and the ways in which they are being interpreted.

Macro-economic events
Taking account of major events affecting markets is a core part of the investment management service we provide as stewards of clients' capital. During the reporting period, the major geopolitical and economic developments of 2022 were regularly considered in the collaborative macro meetings held by the investment team. Topics included the investment ramifications of Russia's invasion of Ukraine and the ensuing war, and the effect of inflation and rising interest rates. We emphasise the importance in our investment philosophy of closely considering the nature of the individual securities held, and our macro meetings provide a crucial backdrop to this analysis, in addition to team-based macro work. In this way, our disciplined investment process, collegial investment team culture and company structure ensured that the major geopolitical events of 2022 were formally considered in the management of client capital.

Climate Change
Guinness Global Investors Ltd is a responsible and forward-looking company and we are aware that there are risks and opportunities to our business and our investee companies as a result of the changing climate.

How we align our investments accordingly
We are developing an approach to help identify and manage material climate-related risks and opportunities in our portfolios. As a supporter of the goals of the Paris Agreement and as a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), we seek improved climate disclosure, where possible, through our company engagement and continue to evolve our investment approach with respect to climate-related risks.

This policy on Climate Risk covers:

i. Our approach to seeking greater disclosure around the climate related risks for our investee companies in accordance with the TCFD
ii. The monitoring of our direct carbon footprint, to minimise our impact on the environment and contribute to a sustainable future.

A member of our investment team has a specific climate risk role to ensure that climate-related risks are suitably monitored.

Task Force on Climate-Related Financial Disclosures (TCFD)
Guinness Global Investors is a public supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), and we seek improved climate-related financial disclosure that is consistent, comparable, reliable, and clear to enhance our investment processes. We are fundamental, disciplined, long-term investors and we seek the additional disclosure to help us fully consider the risks and opportunities that may arise from the changing climate.

From our long experience of investing in energy, we are well placed to consider ESG and climate-related issues in our modelling work and sensitivity analysis. We believe that this is in our clients' interests.

Our climate-related risk analysis is directed by the Responsible Investment Committee, starting with 2020 data, on at least an annual basis. The results are shared with the investment teams. The risk analysis process essentially seeks to answer the following questions for every investee company in our equity funds:

- What is the impact of this investee company on the environment?
- To what extent might legislation, regulation, or carbon taxation alter the valuation of the company?
- What is the impact of the environment on this investee company? And to what extent might extreme weather patterns affect the operation and valuation of the company?

Where it is suitable, we will typically engage with those investee companies that either have poor disclosure or that appear to be suffering the greatest climate-related risks, and, at a minimum, request greater climate-related risk disclosure.

Global Team

In 2021, the Global & Developed Markets team launched an engagement programme to engage with portfolio companies that do not report to CDP. This engagement programme is ongoing, and results are recorded in the engagement log which is discussed further under Principle 9.

Case Study: CDP Non-disclosure Campaign

In 2022, we participated in the CDP Non-disclosure Campaign at a company level. The annual campaign offers investors the opportunity to engage with companies that have received the CDP disclosure request but have not yet provided a response. The objective of the campaign is to drive further corporate transparency around climate change, deforestation, and water security by encouraging companies to respond to CDP's disclosure requests.

Guinness Global Investors was lead signatory for the request of two companies, and co-signatory of requests for 38 engagements on climate change.

Specialist Equity Team

We have seen positive progress with climate-related engagement in the reporting period. We document this within our corporate level engagement log, and a separate Sustainable Energy Engagement matrix which measures the evolution of climate disclosures, targets, and positive climate impact for each portfolio company from FY2018 onwards. For example, in FY2018 60% of holdings disclosed carbon emissions and 53% disclosed carbon reduction targets, vs 100% and 87% respectively in FY2021.

The Specialist Equity team has engaged regarding disclosure and target setting within their portfolio companies, including alignment of targets to executive remuneration. This analysis also feeds into our voting activity when reviewing proxy votes. Further details on this can be found in our voting policy.

Case Study: Itron - Disclosure

Itron provides advanced metering infrastructure (including smart meters) and associated software, services and analytics to electricity, gas, and water utilities worldwide to assist it in optimising the delivery and use of energy and water. When we first invested, the company provided case studies outlining the "proven benefits of the smart grid". These included examples of customer projects where its solutions had helped to reduce energy consumption, reduce truck rolls, and displace carbon emissions. We believed that the case studies were indicative of the company's positive impact, but quantification of their impact was not disclosed.

We engaged with the company on this topic, seeking an annual company level estimate for energy or emissions saved by Itron's products and services. Estimation of emissions avoided thanks to low-carbon products and services has recently been added to the CDP climate survey. We believed that disclosure of such a metric would help give the market a better understanding of the company's positive impact whilst bringing its disclosures more in line with Installation peers.

In June 2022, the company released its 2021 ESG report, disclosing its estimate for the greenhouse gas emissions avoided thanks to customers using its products. This data is now in a similar format to other companies in the portfolio and has been fed into our impact calculation process.

Company Level

We have created carbon emissions and climate risk scorecards for our equity funds which calculate each fund's annual carbon intensity compared to the MSCI World Index (or relevant benchmark). The scorecard uses data and analysis from various third-party data providers to assess the portfolio holdings' transition risk and physical risk exposures and the alignment to carbon emissions and climate change initiatives against the associated index. We use these scorecards in-house at present.

Our scorecards for carbon emissions and climate risk at the portfolio level enable us to compare each fund's data and monitor data at company level.

We conduct analysis to understand carbon and climate-related risks. This analysis has fed into our engagement activity and has had an influence on our collaboration with external initiatives. At Guinness we believe working collaboratively with other investors and investor groups allows us to achieve better outcomes, both for the market and our individual clients. We participate in several external initiatives which we detail further later in this section. For example, as part of the Specialist Equity team's activity, the Global Energy Fund is part of the Devon Energy CA100+ group. We discuss this engagement under Principle 10. A member of our investment team is also the chair on the UKSIF analyst committee. This allows us to raise issues and questions more easily with like-minded peers to allow for collaborative discussions with experts in the area. As we begin to better understand our portfolio companies' exposure to carbon and climate risk through our analysis, it will allow us to make more meaningful next steps in our investment processes.

Stewardship and Climate Change

Voting

Case Study: Climate considerations within Voting

The Specialist Equity team integrates climate considerations into its proxy voting. For example, if a company in a carbon intensive industry does not complete the CDP Climate survey or does not produce TCFD aligned disclosures, the team may vote against the company's reports and accounts. If a company held in the Global Energy Fund receives the lowest score possible for its decarbonisation strategy under Climate Action 100+'s benchmark assessment, the team may vote against the re-election of the company's Chair. If the company receives this score for two years in a row or more, they may escalate this to vote against the re-election of the Chair and CEO. Furthermore, if a company has no carbon reduction targets in place, they may abstain on the CEO's re-election.

Case Study: Canadian Natural Resources – Proxy Voting on Climate

Canadian Natural Resources, a holding in our Global Energy Fund, is one of the largest independent crude oil and natural gas producers in the world.

In 2022 we voted against the Chair, Murray Edwards, because the company *'did not meet any criteria'* under the CA100+ decarbonisation section. There was no vote available on the Accounts and Reports during this AGM. We also abstained the Chair of the AuditCo, Catherine Best. Despite its reporting to CDP, the company still fails to report on the TCFD.

Engagement

We interact regularly with peers to promote well-functioning markets. We have over time built up and continue to build on our involvement in structured industry initiatives. The continued uptake of new memberships helps us to demonstrate our genuine alignment between the practice of responsible investment and active support for organisations in specialist areas. The table below documents the memberships at the end of 2022. We foresee continuing to add to this list as the level and scope of our responsible investment activity grows.

Membership	Joined:
UN PRI	2019
Climate Action 100+	2019
Independent Investment Management Initiative – ESG Working Group	2019
TCFD	2020
UKSIF	2021
CFA UK Impact Investing special interests' group	2021
CDP	2022
CFA Sustainability Champions Group	2022

In late 2022, through our involvement with UKSIF, we were able to attend working groups and contribute to multiple responses to UK and European regulatory consultations related to the investment management industry. This included the Sustainable Finance Disclosure Regulation ("SFDR") and the UK Sustainable Disclosure Regulation ("SDR").

Case Study: Climate Action 100+
Since 2019, we have been members of Climate Action 100+, the world's largest-ever investor engagement initiative on climate change. During the reporting period, we continued our collective engagement with Devon Energy, a US company engaged in the exploration and production of oil and gas. Along with our collaborators, we engaged with the company across a wide range of topics including remuneration and methane reduction. In the same year, Devon explicitly split out emissions reduction as a KPI contributing towards the CEO's annual bonus and also joined the Oil & Gas Methane Partnership, the global gold standard for methane emissions measurement and reporting. The team leverages insights and data from Climate Action 100+ into their proxy voting across the Global Energy Fund.

Exclusions

An alternative way to address climate and other ESG risks is through the exclusion of specific activities from portfolios. We do not believe exclusion is necessarily the best way forward in all circumstances. We like to have the opportunity to engage, as it is likely to have better outcomes in many cases. However, we believe that excluding activities that present the most harm to society and the environment is appropriate when there is no pathway to transition.

Accordingly, under the remit of climate, we systematically exclude companies that generate more than 30% of revenues via thermal coal extraction or thermal coal power generation.

Further details on our Exclusion Policy can be found here. The Sustainable Energy Fund, Sustainable Global Equity Fund, Global Equity Income fund and Global Innovators Fund have their own policies under which they apply further exclusions. These are available under the relevant fund literature pages on our website.

Carbon Usage at Guinness Global Investors

Carbon Usage Policy

In line with our desire for our companies to report emissions data, we believe it is consistent for us to record and publish our own emissions data.

Since 2018, Guinness Global Investors has had a Carbon Usage Policy. Office energy consumption, waste and travel are the greatest contributors to our carbon footprint and remain the key areas of focus. Our carbon management strategy to reduce our direct carbon footprint involves:

- Measuring and reporting our carbon footprint
- Minimising our emissions by improving operational efficiencies and investing in technological innovation
- Working with our service providers to understand the opportunities to improve our carbon usage
- Encouraging and helping our employees to reduce the emissions they generate in their working lives

We measure our carbon footprint, using DEFRA and other internationally recognised metrics, and report them via our carbon usage scorecard.

Guinness Global Investors: 2022 carbon usage scorecard

Guinness Global Investors' carbon usage in 2022 is based on approximate data and has been estimated using the Government's Greenhouse gas reporting: conversion factors.

Due to the COVID-19 pandemic nearly all employees worked from home from March 2020 until mid-2021. During the peak of the pandemic the office remained open throughout with one key employee working there daily and travelling on foot and an average of four other employees attending on an intermittent basis. During 2022 we have seen an increased number of employees return to the office. However, we still have a flexible working structure within the organisation. Travel figures have been estimated through the attendance of individual employees who attended the office on a frequent basis during the reporting period. The estimates for electricity and gas are based on the utility bills provided by our landlord. We have also included the estimated electricity usage from employees working from home, using guidance from the UK Government GHG Conversion Factors Homeworking framework.

The results for 2022, the latest available, are summarised in Figure 5.

Please note this scorecard is made on a best-efforts basis, based on internal estimates, and unaudited. This activity is completed on an annual basis when data becomes available.

2022 GAM Carbon Usage Summary	
	Estimate Tonnes CO_2e (tCO_2e)
Scope 1	
Buildings	
Gas Usage	12.9
Total Scope 1 emissions	**12.9**
Scope 2	
Buildings	
Electricity Usage	8.1
Total Scope 2 emissions	**8.1**
Scope 3	
Buildings	
Working from home*	24.3
	24.3
Travel	
Business & Social	21.3
Commuting	10.6
	31.9
Total Scope 3 emissions	**56.3**
Total Estimated Carbon Usage (tCO_2e)	77.2
Total Estimated Carbon Usage per employee (tCO_2e)	**1.4**

**Working from home emissions are considered scope 3*

***based on 35 employees working from home*

****based on 57 employees*

Figure 5: 2022 Guinness Scope Emissions

Further commentary on our carbon usage

Our office is located on one floor of an office block in London. The building benefits from new and efficient mechanical and electrical equipment which was installed in 2017 when the entire building was refurbished. Although most employees are currently working from home the company-specific measures that were already in place to reduce our carbon footprint remain the same and include the following:

- An annual carbon usage report to monitor our carbon emissions
- A ‘cycle to work’ scheme to encourage employees to use low carbon transport. The vast majority of our employees use public transport or bicycles to commute to work.
- A salary sacrifice scheme to encourage employees to lease or buy zero-emission vehicles.
- Staff are encouraged to use public transport when attending meetings with external parties.
- We regularly use video calling to avoid unnecessary travel and associated carbon emissions.
- We encourage conservation of water and other resources.
- No office waste goes to landfill. We recycle all paper and plastics and have a food and compostable bin in the office. General waste is incinerated.
- The office has a well-equipped kitchen so the use of unnecessary single-use plastic can be avoided.
- Internal documents are printed double-sided whenever possible to save paper and employees are encouraged to avoid unnecessary printing.
- Energy-efficient and motion-activated LED lights are installed throughout the office.
- The office has an open workspace layout, which requires fewer lights and other appliances than separate cubicles.
- Staff are encouraged to switch off computers and other electronic devices overnight.
- Electronics are usually re-used or recycled.

Ongoing Developments

We continue to review the best resources to assess our environmental and climate-related risk exposures. This area is evolving quickly, as companies improve disclosures in various ways. To help our implementation, in 2022 we signed up to CDP. This initiative allows us to retrieve more thorough emissions and climate data. It also allows us to collaborate with others to encourage wider implementation of standardised disclosures.

On the corporate side, as noted above, we continue to record and track our scope emissions as a company.

We have taken active steps to improve the skills of our employees and raise awareness on environmental, social risks on the financial system. We have launched a firmwide ESG training programme which aims to improve the base level knowledge of our employees.

Involvement with stakeholders & industry initiatives to offset risk

We participate in relevant industry initiatives to promote the proper functioning of markets, responsible investing, and the management of market-wide and systemic risk. These include:

The Investment Association (IA) has over 200 full members managing over £10 trillion in assets. As the trade body for the UK investment management industry, it seeks not only to represent the interests of that industry but also to improve the investment landscape for investors through initiatives which highlight certain topics – such as diversity and inclusion in the industry – and by improving standards and best practice. In addition to its membership of the Association, Guinness Global Investors participates in its Compliance Discussion Group, which provides an informal discussion to share issues, concerns, and solutions within the compliance function. The effect of our membership is to promote the good functioning of the investment market in the UK through these initiatives to the benefit of investors and the economy.

The UK Sustainable Investment and Finance Association (UKSIF) aims to support its members to grow sustainable and responsible finance in the UK. It also seeks to influence policymaking that promotes the growth of sustainable finance. Our membership constitutes part of a collective effort to promote sustainable finance in the UK. One member of our investment team is the Chair of the UKSIF analyst committee.

The Independent Investment Management Initiative (IIMI) aims to contribute to effective financial regulation and promote client-centred models of investment management. Our membership, among that of over 40 firms, aims to promote initiatives which improve the functioning of the investment management industry. Most recently, a call with the UN PRI allowed members to discuss concerns and recommendations for their reporting system, to contribute to a more effective reporting procedure for future reporting periods. Our CEO, Edward Guinness sits on the board of IIMI.

The Task Force on Climate-related Financial Disclosures (TCFD) seeks to improve the availability of information needed for climate-related risk management. By being a supporter, we are part of the effort to promote informed capital allocation. We discuss earlier in this Principle our effective contribution to this initiative as presented through our carbon and climate scorecards.

Climate Action 100+ is a collaborative engagement programme through which Guinness Global Investors engages with Devon Energy, a $15bn US listed oil & gas producer with operations mainly in the US. The collaborative nature creates a programme of concentrated engagement with focus companies, where the sum of the parts is significantly more effective than if each participant attempted to engage across the whole sector. Further details are provided under Principle 10, where our effectiveness is demonstrated.

CFA UK's mission is to build a better investment profession by serving the public interest by educating investment professionals, by promoting and enforcing ethical and professional standards and by explaining what is happening in the profession to regulators, policymakers, and the media. During the reporting period, a member of the investment team at Guinness joined the Sustainability Community Champions group.

Octo Members is a private group for financial services professionals. The community enables members of the investment management industry to share thought leadership and explore better business practices. It presents videos, podcasts, questions & answers and panel discussions to allow members to learn from their peer and improve the industry in a collaborative manner.

Principle 5 – Review and assurance

All policies at Guinness Global Investors are subject to routine review. Amendments are made as required to reflect the development of our activities and best practice. External reviews from the UNPRI and investors provide verification and assurance of the quality of our responsible investment activity.

Reviewing our policies

Our responsible investment approach has resulted in an evolving Responsible Investment Policy and the ways in which we assess our effectiveness include:

- Tracking of internal and external ESG scores for portfolio holdings over time
- Third-party ESG ratings for our funds
- Full disclosure of fund portfolio holdings to enable investor and third-party assessment
- Liquidity and low volatility of our portfolios
- Engagement tracking by investment teams
- Carbon intensity of our portfolios
- Climate reporting
- Estimated contribution of the CO2 displaced by the product and services of the companies in the Guinness Sustainable Energy Fund portfolio, disclosed in its Impact Report
- Mapping of the Guinness Sustainable Energy Fund portfolio to UN Sustainable Development Goals, disclosed in its Impact Report
- Tracking collaborative engagement progress with Devon Energy as part of the Climate Action 100+ initiative
- Tracking and analysing proxy voting results on an individual and corporate level
- Screening, identifying, and monitoring ongoing controversies

Those activities that are outside the scope of this report are reported elsewhere (for example in the Guinness Sustainable Energy Fund Impact Report) or monitored internally.

The Responsible Investment Committee was established in 2020 as a dedicated forum to bring together the coordination of our increasing responsible investment activity. The Committee is chaired by the CEO and includes all members of the investment team. It carries out the corporate level screening, engagement and other responsible investment activities that are detailed in our Responsible Investment Policy. We increased the frequency of Responsible Investment Committee meetings to at occurring at least quarterly due to the breadth of information to cover. An agenda is set for each committee meeting, minutes are taken, and follow up actions are made. The Responsible Investment Policy is reviewed quarterly in line with the Committee meetings, to reflect progress and changes made in the quarter.

Internal & External Assurance

We are signatories of the UN PRI, which provides external assurance on our stewardship approach broken down by activity. In our latest Assessment Report, published in 2022 (reflective on 2020 activity), we received the following scores:

- '4/5' for Investment & Stewardship Policy
- '4/5' for Listed Equity- Active fundamental – Incorporation
- '3/5' for Listed Equity- Active fundamental – Voting

PRI Principles for Responsible Investment

Other than the UN PRI assessment, we believe internal assurance of stewardship is appropriate for the scope, level and resourcing of our activities and the nature and style of the investment management we perform.

All our policies are internally reviewed by the Compliance & Risk team, followed by senior management, and where necessary, the Board. This ensures policies are aligned directly with Guinness' purpose, strategy, and obligations.

In line with the high standards of governance required in investment management, each fund has dedicated portfolio management and analyst resource and oversight from an external board, management company or Authorised Corporate Director in a fund structure that is completely separate to Guinness Global Investors. Internally, the Guinness Board maintains oversight over the risk and holdings of the portfolios, in particular, with oversight over Risk, Compliance, and the responsible investment approach itself.

Fair, balanced & understandable

At Guinness we aim to report on all stewardship activities in a fair, balanced, and understandable way. Stewardship activities and reporting is completed by the investment team who are directly involved in the investment process.

Stewardship activity and reporting is reviewed in the Responsible Investment Committee meetings, and by marketing and compliance to ensure data is represented in a fair, balanced, and understandable way. Certain documentation will be referred to the Board for approval.

Improving our stewardship policies and processes

In response to the increased emphasis placed on transparency of engagement and engagement outcomes, we have developed our engagement recording model used by the investment team. We redesigned our engagement log to capture greater detail about team and corporate-level engagements and the outcomes of these engagements, including measuring engagement progress against a set of milestones. We now have a single engagement tracker used across the investment teams, enabling a more collaborative stewardship approach across the company. Further detail on our Engagement processes can be found under Principle 9.

As outlined under Principle 12, we have also developed our voting record outputs to incorporate an increased breadth of data and results on each team's voting decisions. This allows the investment team to identify specific voting characteristics within teams and per fund, to help identify necessary next steps in our stewardship journey.

The increased frequency of Responsible Investment Committee meetings allows discussions encompassing current stewardship activities and appropriate improvements to our processes.

Our policies related to responsible investment are available on our website here. Policies are reviewed and signed off by the relevant parties, including the board and Compliance & Risk team, prior to being published. Our Compliance & Risk team retains a register of all policies. This document was approved by the board prior to publication and has been reviewed and approved by Head of Compliance and the Management Committee.

Ventures

Within the Ventures investment team, we have implemented a comprehensive ESG due diligence process from screening through to investment to ensure that ESG is a priority. We take an active role in working with investee companies, sitting on boards, and encouraging investee companies to monitor and collect relevant data, making them aware of the importance of this disclosure and using this as a risk mitigation process. It also allows for the opportunity to improve those parts of their business that are lagging in this area, to improve the organisation. Through the collection of data, we can improve our own disclosure for clients in the long run.

Investment Approach

Principle 6 – Client and Beneficiary Needs

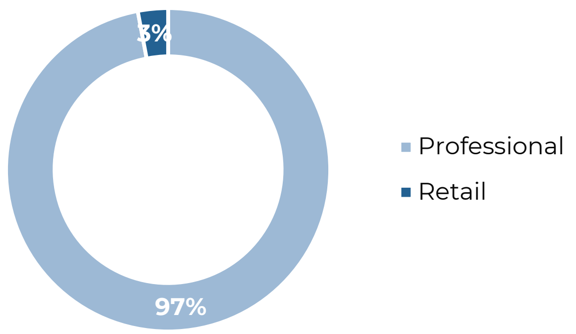
Aiming for the highest levels of client service, we embrace comprehensive investor communication.

Our Client Base

In managing our funds, we provide our services under the terms of Investment Management Agreements with investment vehicles such as UCITS funds. Strictly speaking, therefore, Guinness Global Investors' 'clients' are the funds themselves; we do not have direct relationships with individual investors. While this structure provides various benefits for efficiency, governance, and investment outcomes, we still need to understand the needs of the underlying investors in our strategies in order to provide effective investment outcomes and stewardship. Most investors in our funds are professional intermediaries such as wealth managers and independent financial advisers. Our investors' capital comes from the UK and Channel Islands (34%), Europe excluding the UK (47%), and the rest of the world (19%).

Professional vs Retail

Figure 6: Professional vs Retail investor base by value

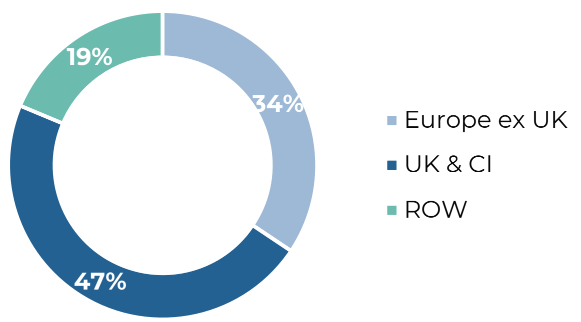


As of 31st December 2022

Source: Guinness Global Investors

Geographic Distribution

Figure 7: Geographic distribution of investor base by value



As of 31st December 2022

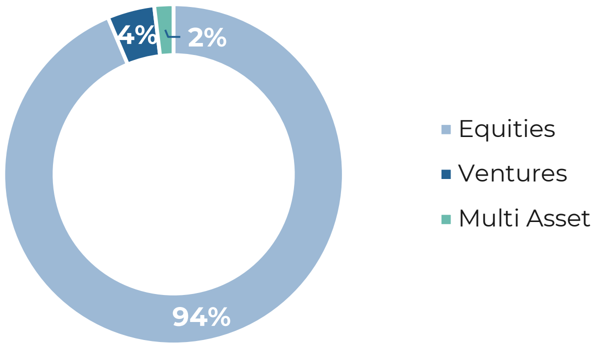
Source: Guinness Global Investors

Assets Under Management

Most of our assets under management are in Equity, and a small proportion in the Ventures Service and Mixed assets. As figure 9 shows, 94% of the total value of securities in which we invest client capital is domiciled in the developed markets of North America and Europe. Most of the remainder is accounted for by Asia.

Asset Classes

Figure 8: Asset Class Distribution of Assets Under Management

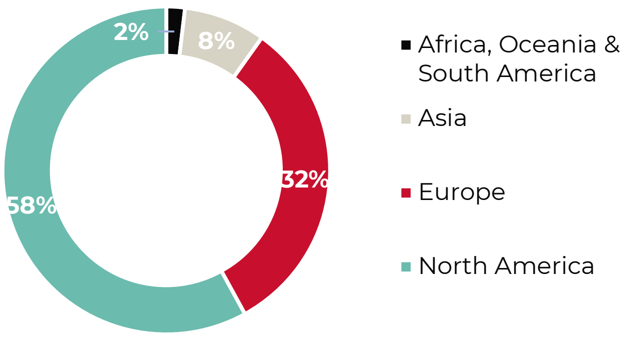


As of 31st December 2022

Source: Guinness Global Investors

Geographic Distribution

Figure 9: Geographic Distribution of Assets Under Management



As of 31st December 2022

Source: Guinness Global Investors

Investment Horizon

Our strategies are managed with a long-term time horizon. We recommend a holding period of at least five years on the grounds that increasing the likelihood that the value we have identified in an investment opportunity will be realised requires an investor to invest for a relatively long time. Accordingly, a typical holding period of a stock in our portfolios is three to five years.

Since we manage pooled investment vehicles with large numbers of underlying investors, we cannot target the exact time horizon requirements of each. For this reason, we aim to make it clear that holdings in our funds should be regarded as long-term investments.

Ventures

The Ventures target holding period is four to five years between purchase of shares and exit. Investors need to be prepared to have their investment tied up for at least this length of time before investing.

Clients

Seeking Clients' Views

We seek investors' opinions on our approach to responsible investment and do this through interactions with our sales team. The investors in our strategies are almost entirely professional investors, at whom our communications programme is chiefly aimed, although self-directed investors (representing c.3% of our total AUM) are also able to access our written publications on our website.

Communicating with our clients

In our effort to provide effective investment management, we aim to be responsive to investors' investment and stewardship preferences while continuing to act in accordance with our stated philosophy and objectives. In addition, we will always seek to meet our contractual and regulatory obligations. In managing pooled investments, we cannot directly satisfy investors' individual preferences, so we clearly communicate our investment philosophy and approach to stewardship, while investors are free to redeem their investments at any time. This framework allows investors to decide whether our strategies fit with their stewardship and investment policies.

Formal reporting takes place quarterly to the boards of those clients which are funds.

Our extensive communications programme to the underlying investors in those funds includes the following:

- Meetings with our sales representatives and portfolio managers
- Monthly written investment commentaries
    - Produced by the investment team
    - Reviewing strategy and market performance and outlook
    - Covering all stock changes to the portfolios with rationales
    - Risk analysis, portfolio, and performance data
- Quarterly webcasts
- Annual written investment commentaries
- Comprehensive and informative website
- Social media, videos and advertising
- Approach to Responsible Investment & ESG documentation

Our investment commentaries cover matters of responsible investment where relevant, to buy and sell decisions, performance, or outlook.

Communicating our approach to ESG

In 2022 we launched updated literature about our integrated approach to responsible investment and ESG on our website and in client literature.

In 2022 we started preparations for a series of Responsible Investment reports. These will include a detailed guide of our ESG integration process, as well as our stewardship reporting. The latter will cover a wide range of stewardship activities by our investment teams.

In addition, our stewardship activity is also assessed under the UN PRI. We initially submitted to the UN PRI in 2019. In 2022 we received our results from our 2021 submission. Further details on the UN PRI can be found under Principle 5.

Ventures

- Guinness Ventures reports to clients on a semi-annual basis, providing a review of each investee company as well as a detailed valuation statement of each holding.
- Contract notes and tax certificates are provided on each investment, as well as ad hoc communications relating to corporate news.
- The Investor Portal allows investors to access up-to-date valuations and cash statements as well as providing online access to ancillary information such as tax reports, investor letters and contract notes.

Evaluating the effectiveness of client communication

Our primary resource for communicating with clients is our sales & marketing team, who use our systems of client communication to monitor and evaluate its effectiveness. Most importantly, we dedicate the resources to our sales & marketing team so that they are available to respond to clients. All communications with clients are recorded, along with their frequency and nature. This helps us to ensure that clients are receiving the information they require and that we have regularly had opportunity to assess their requirements and hear their views. We monitor the distribution of our regular communications programme to evaluate its effectiveness, for example by the number of investors opting in or out of regular emails and reviewing the traffic to our website. Our quarterly webcasts give investors the opportunity for real-time questions. From time to time, we survey groups of clients directly.

In 2022, we hosted a series of investor events around the country, Guinness on the Road, to present our investment approach and insights to clients directly. We consider the face-to-face interaction with clients at such events an important addition to the range of client communication and they offer a further opportunity for client feedback. Client views on our presentations and broader investment offering were formally sought at each event to help us ensure we offer the most relevant and useful information.

Through frequent and ongoing communication with clients, we are confident that we are providing the essential reporting documentation for our clients to meet their own reporting obligations.

Taking client feedback into account

As investors' interest in stewardship has increased, they have initiated discussion, requests for information and meetings with us more frequently. These are a key mechanism of client feedback, whereby responding to scrutiny from investors and potential investors helps us to become aware of areas of potential improvement. Many of the areas of development described in this document arise from our attempt to satisfy investor demand for a robust approach to stewardship.

In response to client demand, for example, we investigated the potential to implement a policy of excluding thermal coal from our Global Energy strategy. After ensuring that this was compatible with our investment strategy, mandate requirements and philosophy, we put a formal exclusion policy in place for all our equity funds.

During the reporting period, in response to client feedback we built a dedicated responsible investment area on our website. This is home to several aspects of responsible investment reporting, including stewardship reporting, enabling investors to complete their own reporting more easily. The Ventures team will also have separate ESG disclosures made available, in response to the increasing demand.

Principle 7 – Stewardship, investment and ESG Integration

Our Responsible Investment Policy gives an overview of all our responsible investment activities, including the integration of ESG across all funds and stewardship activity. Individual investment teams also lay out their 'Approach to Responsible Investment and ESG' in the investment process in separate documents.

Assessing investments

Our investment process places importance on return on capital and the sustainability of returns. We use intelligent screening to prioritise research and to generate ideas followed by a thorough due diligence process. Companies that have achieved sustainable growth in cashflows and have managed businesses well through economic cycles are likely to continue to do so. Behaving responsibly from an environmental and social perspective is a good indicator that company management are thinking long-term. ESG Incorporation at Guinness Global Investors therefore includes various combinations of 1) Integration of ESG, 2) Screening and 3) Thematic approaches across various strategies, depending upon region, sector, product design and data availability. Each approach is enacted by the investment team of the strategy concerned.

Differences between our funds

United by a shared investment philosophy, our investment teams use the same ESG incorporation approach, supported by a Responsible Investment Analyst, and coordinated by the Responsible Investment Committee. Differences of geographic and sectoral focus mean that the process used by each team is not identical. Key differences are as follows.

The **Global & Developed Markets team** has access to the most data for its research due to the nature of coverage available. In the reporting period, the team worked on developing its analysis of the impact of remuneration in companies under consideration for investment.

The **Specialist Equity team** uses a more dedicated selection of data sources for its analysis of energy and sustainable energy sectors. In the reporting period, the team worked on climate sensitivity analysis and positive impact reporting.

The **Asia & Emerging Markets team** has access to less data in relative terms due to the availability of coverage of ESG factors. They seek to overcome this through their qualitative assessment and company engagement. Due to the geographies of companies under analysis, corporate governance is important factor for consideration.

In our **Multi Asset Funds**, we implement model portfolios assembled by a third party. While we monitor investment decisions, it is not possible for us to integrate ESG factors into the investment analysis performed. Instead, this is performed by our third-party partner, a signatory to the Code and the Principles for Responsible Investment.

We discuss differences in integration more specifically relating to voting and engagement activity between the investment teams under Principles 9 and 12.

Ventures

The Ventures team takes a different ESG integration approach due to the composition of Ventures investments. Investment team members work directly with the organisations to collate ESG data and work to improve weaknesses in the companies and their data. This is discussed in the following section.

Stewardship and the investment process

ESG Incorporation

Fundamental data and rigorous research have always been the cornerstones of our investment process at Guinness Global Investors. Whilst Environmental, Social and Governance (ESG) factors have inherently been integral in our company analyses, the emergence and evolution of new data sources has allowed us to establish a more defined score-based framework and thus harness additional investment insights.

ESG refers to measuring and assessing the potential risk and opportunities from environmental, social and governance factors. Environmental criteria consider how a company performs as a steward of nature; Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates; and Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Environmental concerns are growing and forcing regulators to take notice and act. For example, the impact of BP's Deepwater Horizon explosion and oil spill on the Gulf Coast in 2010 reportedly cost the company ca62 billion. More recently, the diesel emissions scandal is set to reportedly cost Volkswagen upwards of $46 billion in the US alone. These negative factors have clearly affected the financial results of these (and other) firms.

Similarly, the social impact of a company's behaviour is increasingly being felt on the bottom line. For example, investigations into Boohoo's operations found staff being paid as little as £3.50 an hour in its Leicester garment factory, with no COVID-19 protective equipment. The ramifications included a cost to the founders of the company over £335 million and a reduction in the company's value by over £1.1 billion in July 2020. In another example, privacy and data security concerns surrounding Facebook, following the Cambridge Analytica scandal where data on over 87 million users was collected, cost the company $5 billion in fines.

Governance is a critical aspect of the analysis of any company. The effectiveness of a board and executive management team to set the strategic direction and the culture of the organisation are crucial to a firm's future success. For example, Ørsted have demonstrated climate leadership through their early adoption of green technologies, transforming itself from one of the most coal-intensive energy companies in Europe to the number one offshore wind farm operator globally.

1. Integration

The first approach to ESG Incorporation is the integration of ESG data. The UN PRI defines this as explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns.

We believe that the integration of Environmental, Social and Governance factors helps us to identify future financial and non-financial risks within our investee companies. These factors can have a real-world impact by potentially reducing risk and enhancing the sustainability of real economic return on capital of those companies.

Global & Developed Markets Team

A bottom-up ESG framework has been developed in-house by the Global & Developed Markets team and is used to assess quantitatively the sustainability risk associated with potential underlying equity investments. Using the Sustainability Accounting Standards Board (SASB) materiality assessment they have developed a scorecard that is used to evaluate a company based on various sector, industry, and company specific ESG criteria and also CEO remuneration.

A key component of the scorecard is 'materiality', by which certain criteria can be weighted according to their importance and likely effect on corporate performance. In practical terms, this means that each scorecard can be tailored to the ESG factors that are most relevant to the sector and industry that a company operates in and can be adjusted to allow for varying levels of disclosure across different countries and regions. We believe this is a superior way to assess the impact of ESG metrics on a company compared to using a generic, one-size-fits-all framework.

We also believe – as active managers – that building our own methodology to assess ESG factors is better than relying solely on third-party scores or using an exclusionary criterion. We use external ESG research as a starting point for our own analysis.

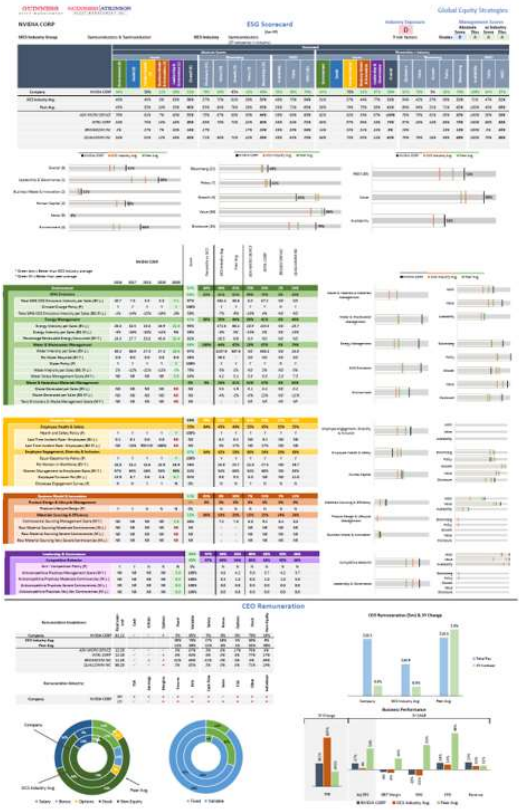
The scorecard ultimately informs the team whether a company's disclosure is improving or worsening, how well the company ranks versus its peers, and how each measure compares to the company's history and its peer group.

The data used in our ESG Integration methodology comes from a wider range of third parties (including MSCI and Bloomberg) and from individual company disclosure. We discuss the due diligence behind these service providers to ensure services have been delivered to meet our needs under Principle 8.

The Global & Development Markets team supplements the quantitative analysis performed via their scorecard with a qualitative review of ESG factors for each potential investment. They do this to understand the materiality and fairness of ESG scores, the risks to business models and valuations, and company-specific issues. Forming part of the due diligence they undertake when selecting investments, this process encompasses a detailed review of a company's strategy, financial and non-financial performance and risk, and capital structure. They construct proprietary financial models in-house to understand a company's evolution covering various financial and non-financial factors. This review has more recently developed to incorporate exclusionary criteria, include a governance characteristics section, carbon intensity and transition risk models. An SFDR indicators and EU taxonomy aligned calculations section is also in development. These areas of review will expand as data availability improves.

Figure 10 illustrates an output example scorecard produced from this model.

Figure 10: Example Guinness Global & Developed Markets Team ESG Scorecard



Specialist Equity Team

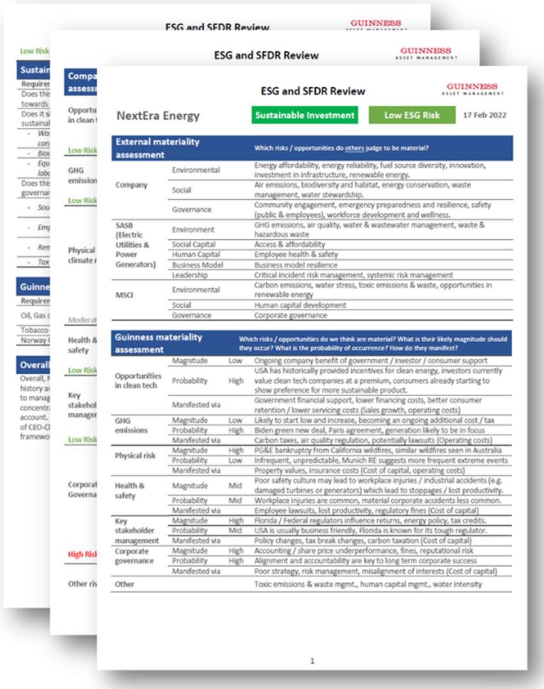
Prior to investing, the Specialist Equity team conducts a short sustainability assessment, looking at the company's business involvement (e.g., green sales, controversial business activity), conduct (e.g., UNGC violations, ESG risk management), and governance (e.g., Board composition, remuneration, voting).

If the stock is purchased, the team then conducts a more comprehensive ESG report including a materiality assessment, a review of ESG risk management, an SFDR Sustainable investment appraisal including PAI analysis, and a final assessment where engagement priorities are set. This is compiled using publicly available information (company disclosures, NGOs, media reports), third party data (brokers, ESG research, proxy research), and insights from the team's experience and engagement. These qualitative reviews are additive to the investment process, allowing the team to form a more holistic understanding of their investments.

After investing, the team monitors the portfolio for changes in ESG characteristics on a weekly (new controversy screening), quarterly (existing controversy monitoring), and annual (impact measurement and reporting) basis to help to inform stewardship activities.

Incorporating ESG factors into the investment process remains in its infancy relative to traditional financial analysis. While negative factors (e.g., oil spills) can cause a sharp correction in a share price once in the public domain or lasting damage to a company's brand / reputation, positive factors (e.g., improvements to governance) can take years to play out. We believe that investment managers with an established track record in ESG integration and active ownership may enjoy a competitive edge over those that do not. At Guinness, our ESG research is conducted by the investment team, and therefore is fully integrated into the investment process. We do not 'outsource' this responsibility to an internal or external ESG team.

Figure 11: Example of Guinness Specialist Equity Team Qualitative ESG Review



Asia & Emerging Markets team

Any investment in a company begins with a thorough analysis of both financial information and non-financial information. Financial information consists of the income statement, balance sheet, cashflow statements and key performance indicators. The Asia & Emerging Markets team looks at both current and historical data to build up a picture of how the financials have evolved over time and what they say about the current health of the business.

ESG analysis is incorporated into investment decision-making and ongoing review with a detailed review of each company. The review considers the Environmental, Social and Governance risks facing the company, the ways in which management mitigates them and their progress in doing so. The company's business is first assessed for the material risks posed by the industry and by the company's specific activity. The review consists of company-specific analysis of these material and relevant Environmental and Social risks. Regardless of industry, each company is assessed on carbon risk and employee relations, as well as Governance through a standardised checklist.

The main data sources the team uses are the companies' own Corporate and Social Responsibility reports and third-party data from MSCI and Glass Lewis.

These reports form the basis of the team's on-going monitoring and help to inform our Proxy Voting decisions

Good Governance

All teams abide by our Good Governance Policy. In assessing good governance, among other factors, they consider management structures, employee relations, staff remuneration, and tax compliance. Further details can be found here.

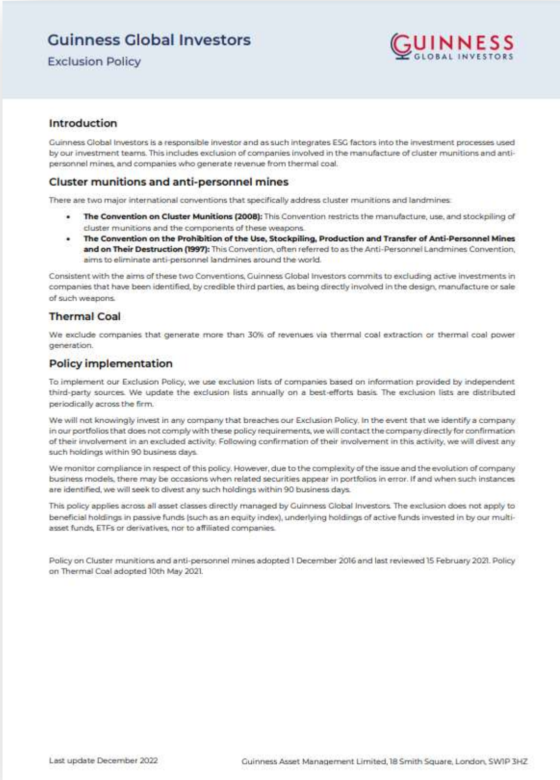
2. *Screening*

A second approach to ESG Incorporation is the application of screening. The UN PRI defines this as ‘applying filters to lists of potential investments to rule companies in or out of contention for investment, based on investor’s preferences, values or ethics’. The UN PRI divides screening into three categories: negative screening to ‘avoid the worst performers’, such as heavy emitters of CO2; norms-based screening to ‘use an existing framework’, such as screening issuers against minimum standards of business practice based on international norms; and positive screening to ‘include the best performers’ – the best in class or leaders in a peer group, using quantitative ESG metrics.

We rule out some companies from the investment universes of our funds based on their activities. We have a company-level Exclusions Policy which includes the exclusion of companies involved in the manufacture of Cluster Munitions and Anti-Personnel Mines and companies who generate revenue from thermal coal.

Our Exclusion Policy applies to our active equity funds and our exclusion lists are updated at least annually. They do not apply to beneficial holdings in passive funds (such as an equity index), underlying holdings of active funds invested in by our multi-asset funds, ETFs, or derivatives, nor to affiliated companies.

In the event that a company already held in our portfolios is added to one of our exclusions lists or an excluded company is added to a portfolio in error, we will, following confirmation of the company’s involvement in the excluded activity, seek to divest the holding within 90 business days.


Guinness Global Investors
Exclusion Policy

Introduction

Guinness Global Investors is a responsible investor and as such integrates ESG factors into the investment processes used by our investment teams. This includes exclusion of companies involved in the manufacture of cluster munitions and anti-personnel mines, and companies who generate revenue from thermal coal.

Cluster munitions and anti-personnel mines

There are two major international conventions that specifically address cluster munitions and landmines:

- **The Convention on Cluster Munitions (2008):** This Convention restricts the manufacture, use, and stockpiling of cluster munitions and the components of these weapons.
- **The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997):** This Convention, often referred to as the Anti-Personnel Landmines Convention, aims to eliminate anti-personnel landmines around the world.

Consistent with the aims of these two Conventions, Guinness Global Investors commits to excluding active investments in companies that have been identified, by credible third parties, as being directly involved in the design, manufacture or sale of such weapons.

Thermal Coal

We exclude companies that generate more than 30% of revenues via thermal coal extraction or thermal coal power generation.

Policy implementation

To implement our Exclusion Policy, we use exclusion lists of companies based on information provided by independent third-party sources. We update the exclusion lists annually on a best-efforts basis. The exclusion lists are distributed periodically across the firm.

We will not knowingly invest in any company that breaches our Exclusion Policy. In the event that we identify a company in our portfolios that does not comply with these policy requirements, we will contact the company directly for confirmation of their involvement in an excluded activity. Following confirmation of their involvement in this activity, we will divest any such holdings within 90 business days.

We monitor compliance in respect of this policy. However, due to the complexity of the issue and the evolution of company business models, there may be occasions when related securities appear in portfolios in error. If and when such instances are identified, we will seek to divest any such holdings within 90 business days.

This policy applies across all asset classes directly managed by Guinness Global Investors. The exclusion does not apply to beneficial holdings in passive funds (such as an equity index), underlying holdings of active funds invested in by our multi-asset funds, ETFs or derivatives, nor to affiliated companies.

Policy on Cluster munitions and anti-personnel mines adopted 1 December 2016 and last reviewed 15 February 2021. Policy on Thermal Coal adopted 10th May 2021.

Last update December 2022 Guinness Asset Management Limited, 18 Smith Square, London, SW1P 3HZ

Company-level Exclusions

While we prefer engagement over exclusion, for some areas of activity as shown above, we believe exclusion is necessary. These areas below are therefore excluded from all funds:

- Guinness Global Investors commits to excluding active investments in companies that have been identified, by credible third parties, as being directly involved in the design, manufacture or sale of cluster munitions and landmines.
- Exclusion of companies that generate more than 30% of revenues via thermal coal extraction or thermal coal power generation.

Fund-specific screening and exclusion approaches

The Sustainable Energy Fund and the Sustainable Global Equity Fund apply further exclusionary criteria at the strategy level.

- The Sustainable Energy Fund excludes companies listed on the Norwegian Council of Ethics (Norges Bank) Exclusion list. The list currently contains around 130 companies, including power producers or mining company that derive 30 per cent or more of their income from thermal coal or have 30% or more of their operations based around thermal coal. Full details of the Norges Bank exclusion criteria are available at https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/ and the fund has its own Exclusion Policy detailing all of the fund exclusions, which is available to investors on request.
- The Sustainable Global Equity Fund excludes those companies which have been scored as a laggard (B or CCC rating) by MSCI ESG and those on the Norwegian Council of Ethics exclusion list. This is complemented by an internally generated exclusion list which filters out companies not caught by the first two exclusions, and which derive material revenue from alcohol, coal, fossil fuels, gambling, nuclear energy, palm oil, tobacco, and weapons.

3. Thematic

A third approach to ESG incorporation is the application of thematic investing. The UN PRI defines this as *seeking to combine attractive risk-return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing.*

There are two investment strategies where we take this approach to ESG incorporation: the Guinness Sustainable Energy strategy and the Guinness Sustainable Global Equity strategy.

Guinness Sustainable Energy

The Guinness Sustainable Energy strategy's investment objective is to invest sustainably while providing investors with long-term capital appreciation by investing in companies that contribute towards reduced global carbon emissions. Specifically, the strategy invests in companies engaged in the generation and storage of sustainable energy, and the electrification and efficiency of energy demand.

The team screens for companies selling the products and services which will help to deliver the transition towards a low carbon economy. When companies and consumers purchase and use these solutions (heat pumps, electric vehicles, renewable energy) over incumbent technologies (gas boilers, internal combustion engines, fossil fuel generation) they contribute towards the global effort to reduce greenhouse gas emissions and combat climate change.

By investing in the companies that produce these products and services, the managers believe that the strategy's success is closely aligned with this positive environmental impact. This alignment flows through their universe construction, where they deliberately target companies delivering climate solutions; through their reporting, where they measure and report on the carbon avoided and carbon cost of their portfolio; and through their engagement, where the overwhelming focus is on climate action. The Guinness Sustainable Energy Fund is classified as an Article 9 fund under SFDR.

Guinness Sustainable Global Equity

The Guinness Sustainable Global Equity strategy is designed to provide investors with exposure to companies benefiting from the transition to a more sustainable economy. The strategy is managed for capital growth, and targets a concentrated portfolio of quality-growth businesses, biased towards mid-cap companies in any industry and in any developed region. To identify companies for investment, exclusionary screens are initially used, before using sustainability themes and our in-house proprietary ESG research.

Exclusionary screens are applied in order to filter out companies whose products or services are harmful, or whose ESG practices are sub-standard. Companies which derive material revenue from industries such as alcohol, coal, fossil fuels, gambling, nuclear energy, palm oil, tobacco or weapons are excluded. Companies which score as an ESG laggard based on their business practices, and those on the Norwegian Council of Ethics exclusion list, are also excluded. Further, each investment must align to a sustainability theme to be considered for the portfolio. The strategy can therefore be classified as a thematic strategy with the Guinness Sustainable Global Equity Fund classified as an Article 8 fund under SFDR.

The Ventures Team

The Investment Process

Due to the structure of the Ventures investments, the investment process differs from that of Guinness's long-only equity investment team. Guinness Ventures has a formalised internal investment process which helps to ensure that due care is taken in the identification, selection, execution, monitoring and exit of investments, which incorporates both ESG analysis and active ownership through engagement and voting throughout the investment journey.

Origination

The Ventures team sources investments through its networks of contacts. Guinness has made over 100 AIM-listed investments and over 40 private company investments since 2011 and has consequently established a broad pipeline of investment opportunities and introducers. All origination leads are discussed at the Ventures team's regular pipeline meetings where they are prioritised according to the investment strategy.

Due Diligence

Origination leads that have been prioritised are initially screened internally. The Ventures team will usually secure a period of exclusivity while due diligence is completed. This may involve external advisers and concludes with negotiating investment terms. The findings are compiled into an investment memorandum, which is circulated to the Investment Committee for discussion at Investment Committee meetings. During this process, an ESG due diligence questionnaire is completed by the investee company. This allows the team to track ESG key performance indicators and set targets for individual companies where appropriate.

Transaction
If the Investment Committee grants approval for a potential investment, the team will set a budget and time frame for completing the transaction. The team manages transactions internally, but also engages third parties such as lawyers, accountants, and due diligence providers for transaction support. Investment proposals include ESG information on the company and are presented to the investment committee for final investment approval.

Monitoring
The team usually seeks board positions in Investee Companies. We seek to establish regular formal communication and engagement with management teams. The team closely monitors each Investee Company during the life of an investment. Investee Companies are also required to provide the Investment Manager with regular management reports and financial statements, in addition to yearly ESG questionnaires.

Exit
The team actively monitors opportunities for exits of individual investments. Any potential exit strategy will be described in a short-form memorandum and submitted to the Investment Committee for final approval prior to the commencement of any sale process.

Figure 11: Guinness Ventures investment process

Serving clients and beneficiaries
The investment process defined in the previous sections is designed to seek the best interests of clients. We monitor companies to ensure they meet our investment objectives. Information we have gathered through our investment and stewardship processes not only informs our acquisition of a company, but our ongoing monitoring and sell disciplines. The investment team reviews and performs regular monitoring of all holdings in their portfolios. The process highlights any companies that do not meet investment objectives, and therefore contributes to our sell discipline.

Guinness Ventures indicates a four to five-year holding period to clients. Once a company has been held for more than three years then the Investment Manager will discuss an exit strategy and timetable with the boards of investee companies. The sale of private companies is often subject to long lead times, and the interests and objectives of different stakeholders need to be considered. Guinness Ventures usually works with other shareholders and stakeholders to formulate an exit strategy that will meet the needs of these stakeholders.

Principle 8 – Monitoring Managers and Service Providers

All third-party providers are subject to initial due diligence and continuous review.

Monitoring our service providers

As previously discussed under Principle 2, we use various resources from third party service providers.

External service providers are subject to initial due diligence and periodic checks thereafter. Depending on the scope of the service provided, due diligence may include:

- Review of the external authorisations of the outsourced organisation
- Review of the financial strength of the organisation to assess whether there are any going concern issues
- Structure and conflicts of interest
- Meeting with senior personnel in the outsourced organisation
- Full review of their service offering
- Benchmarking the service price menu against peers to ensure a competitive offering
- Sensitivity analysis to understand pricing in a full range of AUM scenarios
- Review of the existing client base to assess the level of experience in servicing similar clients

Once an external service provider has been chosen, we conduct annual (two way) due diligence with them to ensure we remain satisfied with the original assessment. Any issues identified with a service provider or if the service provider fails to meet performance standards or expectations, the Board will be informed and Guinness will monitor the performance of the service provider closely. If the service provider continues to fail to meet expectations, the Firm will make a decision to terminate its arrangement with the service provider.

Whilst business and fund related service providers all have an important role to play and are assessed as per our due diligence process, we have focused for the remainder of this section on the service providers most related to the investment process itself and incorporation of ESG into that process, which predominantly consists of providers of data (including research and analysis) and voting advice.

For data providers, the quality of service received is reviewed by the CIO in cooperation with the investment team. The quality of data received is also monitored day-to-day by the investment team during their incorporation of ESG factors into the investment process. We believe that the primary responsibility for ESG analysis falls on the investment team themselves and should not rely entirely on third-party analysis, and our incorporation of third-party data into our own analysis facilitates constant assessment of its quality.

For proxy voting advice, the service is also reviewed by the Responsible Investment Committee when monitoring voting records. Votes cast contrary to the recommendations of the proxy advisers are reviewed by the Committee.

Investment-Related Service Providers

We use a variety of external service providers for data and research related to our investment process. In the following paragraphs, we discuss the fundamental providers and provide a short review. All third-party data providers go through a rigorous review process. We hold frequent discussions in our investment team meetings to discuss satisfaction with these providers and review spending on the various areas. We continue to research and trial other third-party providers to ensure we receive the best data for our research process at a suitable price.

Glass Lewis

Glass Lewis provides voting recommendations ahead of votable meetings. We use these reports for advice only and review every Glass Lewis voting recommendation before we submit votes. We started using this service provider in 2021. Prior to Glass Lewis, we used ProxyEdge. ProxyEdge is a voting platform but does not provide proxy research. Please see further disclosure on our voting activity under Principle 12.

During 2020 we went through a rigorous due diligence process to compare candidates for selection as our proxy adviser. While it was not the only provider able to supply the research we require, several factors led to our selection of Glass Lewis, including the fact it does not have any independence issues and its research contains the 2-page Sustainalytics information valued by our investment team. Weekly investment team meetings and quarterly Responsible Investment Committee meetings allow us to review voting records to ensure consistency across teams, discuss any queries or concerns including on voting. We also have regular contact with Glass Lewis for both clarification and training on its system and analyst training on specific geographical norms. We are satisfied with Glass Lewis's service at present.

MSCI
We receive ESG data from MSCI using its MSCI ESG Manager for most of our investment universe. This data complements our ESG reviews, carbon and climate scorecard reporting etc., and therefore aids our ESG review process. This allows us to better understand specific environmental, social and governance aspects of companies. While we receive related ESG scores from MSCI, we do not use these to determine investment decisions.

An annual review led by senior management allows us to rigorously review the data provided by MSCI to ensure the investment team's needs are met. We have regular contact with the MSCI support team to ensure any queries are answered, and regular training is provided. We do not rely solely on the data provided.

Bloomberg
We use data from Bloomberg for several purposes. We source company and market-level data from Bloomberg. Bloomberg data is used for a variety of ESG metrics including data within the ESG model, which is explained further under Principle 7. This is incorporated into the overarching investment research process. We also use Bloomberg New Energy Finance (BNEF) for more specific energy-related research and data. Regular training is provided by Bloomberg including on the newer ESG components of the system.

HOLT
We use HOLT as a provider for additional specialist company-level data and its cash returns-based valuation approach. We have used HOLT's carbon data for impact analysis and its remuneration data for internal analysis.

Other Broker Research
We use brokers including JP Morgan, Credit Suisse, Goldman Sachs, and Morgan Stanley for further research to complement our research process.

Ventures
Guinness Ventures performs bespoke company research when conducting due diligence on investee companies. This is usually conducted through a mixture of in-house resource and third-party due diligence providers who specialise in legal, financial, technical, commercial and HR due diligence.

Multi Asset Funds
An effective stewardship approach was an important factor in beginning our relationship with the third-party provider of model portfolios for our Multi Asset Funds. As a leading UK investment management company and a subsidiary of an established global asset manager, our partner offers a model portfolio service with the robust approach to the integration of stewardship which we believe is necessary for investors in a Guinness fund. Investment decisions by our partner are monitored by the investment team and the Multi Asset Funds are subject to the same programme of compliance and risk monitoring as our equity funds.

Failed Expectations

Research
There have been instances where we have identified discrepancies in our service providers' research. Where the research provided did not cover areas where we require more information, we have added incremental research providers. Note that ESG research providers provide a starting point for our analysis and contribute to our own work of carrying out in-depth and rigorous assessment of companies' risks and opportunities.

KIID/KID Provider
We use a service provider to produce KIIDs (Key investor Information Document) and KIDs (Key Information Document). The provider is also responsible for disseminating the documents to third parties. KID documents were newly introduced during the reporting period and had to be in place by 31 December 2022. There were also two additional documents that needed to be produced at the same time: a KMS (Key Monthly Scenario) and KPP (Key Past Performance). These documents need to be available on our website and other third-party sites, as investors require a copy before investing. The supplier was unable to provide a full set of KIDs by the deadline. This resulted in some clients being unable to invest. An internal review is being conducted at present to rectify the issues caused and prevent similar issues arising in the future.

Custodian

During the reporting period, we launched four UK-domiciled funds. The funds' custodian had failed to implement standing instructions for foreign exchange. As a result, the FX deals undertaken for the fund were at less advantageous rates than they should have been. In turn, we required the custodian to compensate the fund.

We continue to monitor our service providers closely to ensure satisfaction.

Engagement

Principle 9 - Engagement

Engagement is conducted both individually by our investment teams and via collaborative initiatives.

Engagement at Guinness Global Investors

As active shareholders with long-term investment horizons, engagement is fundamental to our investment process.

We engage with investee companies, with the objectives:

- To influence investee companies proactively on ESG issues
- To encourage improved and/or increased ESG disclosure
- To gain a greater understanding of their ESG strategy

Each engagement activity is made on a case-by-case basis, with an objective as described above in mind. We engage directly/individually and collaboratively and do not prioritise between the various approaches.

Ventures

For Guinness Ventures, engagement is embedded into the investment process, where members of the Ventures team sit as board members on the investee companies. Team members undertake training to ensure they can contribute as effective board participants. Board participation by Ventures team members is to help introduce best practice across portfolio companies, thereby increasing long-term shareholder value.

Multi Asset Funds

Our Multi Asset Funds invest in funds selected by a third party. In the same way that we accept the responsibility to engage on behalf of investors in our equity funds, we believe that engagement with the issuers of the securities held in these funds is best performed by their investment managers. At present, Guinness Global Investors does not engage with the issuers of underlying securities in our Multi Asset Funds.

Methods of Engagement

Investment Team Engagement

Direct ESG engagement is carried out by the investment teams when communicating with the management of our investee, and potential investee, companies. Communication can involve debating ‘top-down’ ESG themes with management, questioning management on poor ‘bottom-up’ ESG scores (from our scorecard and qualitative work), encouraging disclosure on material ESG metrics, requesting companies set more aggressive targets, adjusting remuneration metrics, improvements in executive shareholding and encourage them to join related initiatives.

As signatories of the UN PRI, we are aware of the importance of tracking these additional engagements and record data accordingly. Each investment team regularly interacts with company managements. We have a central engagement database used by all investment teams to record and track these interactions with reference to those that included discussion around E, S or G topics.

Each team monitors the progress of engagements via a proprietary in-house engagement database. The engagement database allows us to analyse the range of engagements that have occurred over a period. We measure these engagements against various characteristics including a set of milestones to track our progress and achievements. These four milestones are: issue raised, issue acknowledged, commitment to change, and change implemented.

Our Funds’ engagement approaches

While all engagement and voting data is recorded in the same process, each team may have different areas of particular focus when approaching their engagement with companies. To illustrate, we summarise below some of the teams’ variations in emphasis among the diverse range of topics under environmental, social and governance issues on which they engage. Voting differentials are discussed further under Principle 12.

Global & Developed Markets Team

The Global & Developed Markets team has led on engagement with issues surrounding governance as these are typically the most financially material for the companies they invest in. This includes misaligned executive compensation frameworks or egregious pay packages.

They have also specifically engaged on social & environmental topics including climate change. For example, they recently performed an exercise to assess whether each of their holdings disclosed data to the CDP, and if not, engaged with the respective companies to encourage disclosure.

Specialist Equity Team
The Specialist Equity team has led on climate and environmental themed engagement as they are typically the most financially material for the companies they invest in. They focus on GHG emissions, climate governance & risk management, target setting (SBTi), and disclosure (CDP, TCFD, positive impact) and encouraging opportunities in cleaner technologies.

Social & governance topics they have engaged on include responsible sourcing & supply chain, human capital management, product safety & quality, diversity, board composition, audit, remuneration, and tax.

They structure their engagement into three sequential requests: improving disclosure, setting targets, and linking targets to executive incentivises.

- Disclosure: Once a risk is measured, it can be managed through target setting.
- Target setting: Once a target has been set, it can be incentivised through remuneration.
- Incentivisation: Once a target is incentivised, it is more likely to be achieved.

Asia & Emerging Markets Team
The Asia & Emerging Markets team have focused engagements on Corporate Governance. While Social and Environmental matters are also topics of engagement, Governance issues predominate, covering issues including board characteristics and identifying poor capital allocation, as these are typically the most financially material for the companies they invest in. Due to the varying data availability on companies in Asia, company engagement can constitute an important part of the information gathering process on a particular company.

Ventures Team
The Ventures team works directly with investee companies, meaning engagement is ongoing. This engagement is implemented by members of the investment team taking board seats or observer roles in the investee companies.

Statistics
During the reporting period the investment team recorded 187 engagements across the organisation. Most of these engagements took place through phone and video calls with the companies.

Teams are faced with different issues surrounding companies primarily due to their size and location. This therefore influences the engagement activity made by each team. This is discussed further under Principle 7 and demonstrated in Table 3, which documents the distribution of engagements across teams and among environmental, social, governance and strategy topics. In some cases, multiple topics are covered in a single meeting and the totals do not add up to 100%. Table 3 illustrates the distribution of engagements in each team across environmental, social, governance and strategy* topics.

Table 3: Engagement Statistics

		Engagements			
Investment Team	**Total number of engagements**	**Environmental**	**Social**	**Governance**	**Strategy**
Global	75	20%	0%	80%	19%
Specialist	92	63%	35%	47%	76%
Asia	20	90%	0%	15%	85%
Total	**187**	**48%**	**16%**	**57%**	**53%**

*Strategy includes accounting, disclosures, opportunities in sustainable products, positive impact, and regulation.

Engagement: Examples & Outcomes during the reporting period

Global & Developed Markets Team

Company	Roper Technologies
Topic	CDP
Comment & Outcomes	Roper Technologies is a U.S. based diversified technology company of approximately 45 businesses, typically in niche end markets. In July 2021, we engaged with Roper over their lack of disclosure to the Carbon Disclosure Project (CDP), a non-profit charity that aims to encourage companies to report their carbon emissions in a standardised way. We believe disclosure is important and the first step in helping investors identify risks to the business, but also in holding companies accountable for their environmental impact, encouraging management of these risks. Roper responded stating that they were currently assessing "where to focus its ESG efforts, including which disclosure frameworks are most relevant to its operations and shareholders". In 2022, Guinness Global Investors were one of 60 co-signatories of a letter to Roper Technologies, again encouraging disclosure to the CDP. **Outcome:** We were very pleased to see that Roper Technologies reported to the CDP for climate change in 2022.

Specialist Equity Team

Company	NextEra
Topic	Target Setting
Comment & Outcomes	NextEra Energy is one of the cleanest utilities in the USA with 53% carbon-free generation (25% wind, 21% nuclear, 7% solar) in 2021. This results in an emissions intensity 51% lower than the industry average. Despite its strong relative performance, in our ESG review, we identified that NextEra lacked meaningful longer-term (2030/2050) climate targets (emissions intensity and renewable generation targets). We started our engagement with NextEra Energy in September 2020 by encouraging the company to report on its climate risk by producing TCFD-aligned disclosures. In July 2021, we wrote to the company suggesting that it set a new long-term environmental target and have it validated by the Science Based Targets initiative (SBTi). In August 2021, we held a meeting with the company where we were reassured that a longer-term target and SBTi verification were being discussed internally. Since 2021, we are pleased to see that positive steps have been taken by the company. **Outcome:** In June 2022, NextEra set an industry leading "Real Zero" goal to eliminate carbon emissions from its operations by no later than 2045 without the use of offsets.

Asia & Emerging Markets Team

Company	Chinese Pharmaceutical Company
Topic	Directors & Targets
Comment & Outcomes	We engaged with a Chinese pharmaceutical company focusing on oncology and hepatitis products. We engaged with the company and raised the issue of entrenched directors on the board. We also asked if the company planned on disclosing targets to reduce carbon usage. **Outcome:** The company will look into the issue of entrenched directors, taking into account local norms as to when an independent director is considered no longer to be independent. The company is also aiming to disclose a target year to become carbon neutral, in its next ESG report.

Principle 10 - Collaboration

Where appropriate, members of the investment team will use initiatives to engage collaboratively with portfolio companies.

Collaborative Engagement

Devon Energy

At Guinness we believe in collaborative action around ESG issues: focused programmes of engagement where the sum of the parts is significantly more effective than if each participant attempted to engage across the whole sector. Guinness Global Investors is a member of Climate Action 100+, widely regarded as the world's leading engagement group on the issue of greenhouse gas emissions.

CA100+ investors have committed to engage with the world's largest corporate greenhouse gas emitters to improve their climate performance and ensure transparent disclosure of emissions. As a signatory of the CA100+ initiative, Guinness Global Investors has signed up to a common engagement agenda that seeks commitments from boards and senior management to bolster governance around the energy transition, take action to reduce emissions, and improve disclosure.

In the interests of our clients, we may also work with other like-minded shareholders from time to time to promote good governance and prevent the destruction of value. Any action taken to resolve an issue would be with our best efforts and in a manner which is not detrimental to our own client's holding. We would also be particularly conscious to avoid any risk of being unintentionally deemed a concert party.

From 2022 onwards, oil and gas companies on the Climate Action 100+ focus list will be assessed against a new Just Transition indicator within the initiative's Net Zero Company Benchmark. In May, a letter was sent by Ninety One, Newton IM, and the World Benchmarking Alliance (WBA) to 100 companies concerning their contribution to the just transition of the oil and gas sector. We co-signed letters to the 14 companies which were also held in our Global Energy strategy (including Devon), urging them to engage in social dialogue and consultation with relevant stakeholders to publish effective disclosures on their Just Transition planning. In addition to this, in August 2022 we co-signed the Global Investor urging governments to develop and implement policies for a climate-resilient net zero transition.

Outcomes

We have been collectively engaging with Devon Energy via the Climate Action 100+ initiative for the past three years. The initiative focuses investor engagements on 160 global companies that have significant greenhouse gas (GHG) emissions and/or are critical to the net-zero emissions transition and to meeting the objectives of the Paris Agreement. We have participated in several calls with collaborators and the company, contributing our knowledge and experience of investing across the energy spectrum for over 20 years.

Within CA100+, Guinness has been focusing on shifting management incentives to focus more on emissions reduction and return on capital. In April 2022, Devon released their proxy statement disclosing changes to their annual incentive plan. We were pleased to see that a standalone emissions reduction goal with a 15% weighting had been introduced and an increase to the weighting of financial measures (free cash flow and cash flow return on capital employed) from 40% in 2021 to 50% in 2022. We followed up individually with the company in August encouraging them to reduce their 10% weighting to production growth to zero going forwards. This is an ongoing collaborative engagement.

Independent Investment Management Initiative

We are members of the Independent Investment Management Initiative (IIMI). This provides a voice to independent, owner-managed firms that are entirely focused on and aligned with the interests of their clients and investors.

Outcomes

Guinness employees have attended IIMI events including those with the FCA on the newest Sustainable Disclosure Regulation. This allowed members to voice their concerns and views over the most recent discussion paper. This will contribute to the finalised SDR regulation.

Previously, as mentioned in our 2022 report, IIMI members have also engaged with the UN PRI on their reporting, targeted at smaller asset managers. This in turn has contributed to the PRI taking on board the groups opinions and discussed efforts to improve reporting abilities for the next reporting period. We will see the results of this in the next reporting period in Q3 of 2023.

We continue to work closely with IIMI to work collaboratively with like-minded peers on several investment areas.

UKSIF

UKSIF runs events, both educational and collaboratively, to allow members to have a say in upcoming policy and regulation. This provides asset managers such as Guinness the opportunity to contribute opinion and suggestions.

Outcomes

In 2022, our Responsible Investment Analyst had the opportunity to join a working group discussion on the FCA's Sustainable Disclosure Regulation ("SDR"), to discuss with others in the industry and provide feedback. Here we could voice our views and concerns on the regulation. In turn, UKSIF have taken each members views and discussion into account within their response letter to the FCA. We await the FCA's finalised SDR Regulation.

Expanding our Collaborative Engagement

In 2022 we looked to increase our collaborative engagements and have signed up to the CDP. This initiative focuses on transparency around corporate environmental disclosures, providing the building blocks to better and more comparable assessment of a company's performance.

CDP Non-Disclosure Campaign

We participated in the CDP non-disclosure campaign, which offers investors the opportunity to engage with companies that have received the CDP disclosure request but have not yet provided a response. The objective of the annual campaign is to drive further corporate transparency around climate change, deforestation and water security, by encouraging companies to respond to CDP's disclosure requests. We also have the opportunity to lead engagements with investee companies where relevant.

Outcomes

In 2022, the campaign achieved over 5,000 companies disclosing crucial data on environmental impacts to investors. The response rate of companies disclosing to the investor request has increased by over 40% compared to 2021. Of the 40 companies we led or co-signed engagements with, 30% of companies disclosed.

Other involvements in industry initiatives are discussed under Principle 4.

Principle 11 – Escalation

Engagement is not always sufficient to achieve our desired outcome. In some instances, escalation is necessary to voice our concerns further.

Escalation

As we discussed under Principle 9, engagement is fundamental to our investment process as active shareholders with long-term investment horizons. However, engagement itself is not always sufficient to achieve our desired outcome. In turn, it may be necessary to escalate an engagement in order to voice our concerns further. Each escalation activity is determined on a case-by-case scenario and does not necessarily differ between our investment teams, assets, or geographies. We define our Escalation Policy below to provide detail on the reasonings and processes behind this activity.

Escalation Policy

Our engagement tracking monitors our engagements to assess whether the company offered the response sought by the investment team or whether the outcome otherwise demonstrated that no further engagement was necessary. We define escalation as further engagement undertaken following an unsatisfactory response by a company. In some circumstances, there may be no need for escalation despite an unsatisfactory response if the investment team engages with a company before investment and decides not to invest because of the company's response.

Circumstances where the team is not satisfied by a company's response and will consider escalation more commonly arise when the company is held in a portfolio, and include the following:

- Insufficient information in the company's response
- Lack of constructive dialogue
- Inability or unwillingness of the company to address our concerns

In the first place, our escalation will take place in the same manner as the initial engagement (meetings or correspondence with company management) in order to increase our understanding of the company's response and to allow further responses from the company. If the investment team considers it necessary, further escalation may include:

- Engagement with members of the company's board
- Engagement with brokers
- Communicating our intention to vote against management or to abstain
- Voting against management or abstaining
- Seeking engagement from other investors
- Collaborating with other investors at shareholders meetings (subject to the need to avoid being deemed a concert party)
- Engaging with policy makers to raise industry standards
- Bringing resolutions at company meetings
- Selling the company's shares from our portfolios

Escalation Examples

Examples of where our stewardship activities have been escalated during the reporting period are presented below. As noted under Principle 2, each investment team has different investment strategies.

Global & Developed Markets Team

Company	Teradyne
Last Meeting Date	8th March 2022
Comment	Teradyne is a leading semiconductor testing equipment producer, with its system testing over 50% of the world's chips before making it into finished products. In addition, the business has a growing exposure to robotics and automation, predominantly through its acquisition of Universal Robots – the leading supplier of collaborative robots. Given the material nature of human capital to a high-IP area such as the semiconductor industry, we sold our holding in the business in Q3 2021 based on concerns of inadequate human capital management and a history of workforce discrimination. Having engaged with the company on our concerns, and monitored progress, we reassessed the business six months later using our in-house sustainability assessment. We felt the company's human capital practices had improved, particularly through their updated policies and disclosure in their new CSR report.
Outcome	Whilst we still see room for improvement, we believe the company is on the right trajectory and does not warrant exclusion. We therefore bought back into the company at the end of Q1 2022.

Specialist Equity Team

Company	Ormat
Last Meeting Date	22nd December 2022
Comment	We have spoken to Ormat a number of times since we first bought the stock in 2007. Ormat is a leading vertically integrated geothermal generation company. The company often provides clear 3-4 year guidance, setting capacity targets for geothermal generation, and more recently battery storage. This guidance is ultimately what is used in analyst models to value the company. Management's ability to meet this guidance is likely to have a strong link to share price performance. These figures also help us to see how the company plans to grow its positive impact (in the form of low carbon electricity generation) over the coming years. We believe it makes sense for management remuneration to be linked to these capacity targets, incentivising strong operational execution whilst growing the company's positive impact. When we raised this with company's representatives, they said that they also prefer these operational metrics, but that the Remuneration Committee needed convincing. We followed up this meeting with a letter making a number of suggestions around remuneration: linking the equity award with medium term capacity targets, setting a long-term net zero target and linking it to the equity award, and setting clear and meaningful stock ownership guidelines. Shortly after our letter, we were asked to take part in a company feedback call where we once again made clear that we would like to see total shareholder return replaced with operational targets and CO2 reduction targets in the equity award.
Outcome	This engagement is ongoing, and we hope to have the opportunity to speak with management or members of the remuneration committee about executive incentivisation in the near future.

Company	Gentherm
Last Meeting Date	5th May 2022
Comment	Gentherm is a world leader in thermoelectrics for the automotive industry. We have engaged with the company on a number of topics since early 2020 such as positive (avoided emissions) impact disclosures, negative (scope 1 and 2 emissions) impact disclosures, and remuneration. We first identified issues with the company's remuneration when we conducted a comprehensive ESG review of the stock in February 2021. As a result, we chose to vote against its advisory vote on executive compensation at the 2021 AGM in May. We escalated the engagement by holding a meeting with the company in January 2022. In the meeting, we explained that we typically do not support remuneration plans that link long-term incentives (LTI) to share price performance or total shareholder return (TSR). At the time, Gentherm linked 50% of its LTI to Return on Invested Capital (ROIC) and 50% to TSR. We explained that we prefer to see remuneration plans that incentivise sustainable growth (return on capital), growing positive impact (increasing positive impact product sales) or reducing negative impact (emissions reduction). After the call, we followed up with the company, explaining why we believed that return on capital was a superior incentive metric to TSR.
Outcome	In April 2022, the company released its proxy materials with the long-term incentive linked 40% to ROIC, 40% to cumulative adjusted EBITDA, and only 20% to relative TSR. The company also introduced a performance modifier for Named Executive Officers (NEOs) other than the CEO with a link to new technology wins. We had a follow-up call in May 2022 where we congratulated the company on this positive step away from TSR and towards incentivising the growth of its positive impact (represented by new technology wins). We were told that the reduction in the LTI's link to TSR was thanks to our feedback.

Exercising Rights and Responsibilities

Principle 12 - Exercising rights and responsibilities

As responsible investors, we actively aim to exercise our rights and responsibilities across all our investments.

Our Approach

Our approach to stewardship covers our engagement with companies (either individually or collaboratively) on their ESG performance and our Proxy voting activity.

Our approach to stewardship is covered as follows:

1. Stewardship Policy that details our compliance with the twelve Principles of the UK Stewardship Code
2. Company Engagement that details our various approaches to engaging with investee companies
3. Proxy Voting that details our approach to Proxy Voting

Our main objective is to manage our clients' assets in such a way that we deliver on their mandate. In fulfilling this purpose, we of course assume a stewardship role over the assets of our clients. In representing our clients' interest in relation to the investments made on their behalf, we recognise the responsibilities that go with ownership, and the related rights.

Our approach does not differ widely across the long-only investment teams, and we have a relatively consistent approach that runs across funds, assets, and geographies. Each team takes a similar approach, as discussed below, with collaborative discussions across the teams during the investment team and Responsible Investment Committee meetings. In addition, our Responsible Investment Analyst works across the teams, to ensure best practice is achieved.

Ventures

Guinness Ventures is structured as a discretionary managed service and the underlying investors are the beneficial owners of shares in investee companies. These investors can vote their own shares, or if they do not take up this option Guinness Ventures can vote their shares for them. Guinness Ventures actively engages with investee companies. Where a shareholder vote is taken, the Guinness Ventures Investment Committee in conjunction with the relevant portfolio manager will review and determine how best to vote.

Multi Asset Funds

Guinness Global Investors does not have voting rights for the underlying securities in our Multi Asset Funds. In implementing a model portfolio of funds assembled by our third-party partner, we are able to rely on the robust stewardship approach of our partner which is demonstrated by their being a signatory to the UK Stewardship Code 2020 and the Principles for Responsible Investment.

Voting Policy

Proxy voting and the consideration of corporate governance issues are important elements of investment management. In principle, our Proxy Voting Policy is designed to support our portfolio managers in making decisions that maximize a company's shareholder value and that are not influenced by conflicts of interest. The outcome should be a strong corporate governance framework for each investee company which allows it to be managed in the interests of its shareholders.

Proxy voting for all companies is carried out by the portfolio managers of the relevant Guinness Global Investors funds and the Proxy Voting process started in 2019.

We typically make our voting decisions based on our own research, but the investment team has access to Glass Lewis research to assist and guide them (not to delegate to them) and to bring efficiency and ensure consistency in approach.

Our Proxy Voting Policy, available here, is designed to empower the relevant portfolio manager to instruct to make decisions that they believe are in the best interest of our underlying investors.

Our voting records are recorded and analysed regularly, thus allowing our Compliance and senior management team to review any decisions (or exceptions) with the relevant portfolio manager. This also enables the monitoring of recommendations from our proxy advisers. Occasions when proxy adviser recommendations are not followed are monitored by the Responsible Investment Committee. Summary proxy voting details are updated every quarter and are available on our website.

Guinness Global Investors is a small shareholder for most of our investee companies. Where Guinness is a larger relative shareholder, we may raise potential concerns with the company ahead of voting and we might communicate our view and intention to abstain or vote against management. *For details of our escalation strategy, please see Principle 11.*

Proxy Voting Policy

Please find our Proxy voting policy on our website, here.

Proxy Advisers

Prior to 2021 we did not use a proxy advisor. Proxy voting opportunities were monitored using the Broadridge ProxyEdge platform. Fund holdings data was provided directly by the custodian to Broadridge. Broadridge then reported on any votable events and facilitated voting through its online platform. The investment teams monitored upcoming meetings and circulated a weekly schedule to all portfolio managers. Reports on voting history were downloaded from the platform. Votes were cast by the relevant portfolio manager for each fund with reference to the meeting details provided via the Broadridge platform and in the light of the investment mandate and the portfolio manager's knowledge of the investee company.

Since January 2021 we have used the Glass Lewis Viewpoint service to monitor and act on proxy votes. Glass Lewis Viewpoint automatically sends a daily email identifying any proxy votes requiring action. Individual portfolio managers log in to the Glass Lewis Viewpoint web portal (using individual logins and passwords) to review the details of the proposals, including any concerns identified by the Glass Lewis research team. The portfolio manager can then instruct votes through the web portal.

Responsibility for proxy voting is taken by authorised portfolio managers. Current authorisations, including responsibilities for proxy voting for each portfolio manager on a fund-by-fund basis, are saved in individual training and competence folders.

We typically make our own voting decisions based on our research; however, the investment team has access to the Glass Lewis research for assistance. We do not delegate any voting responsibilities to Glass Lewis. When exercising votes, we vote according to our view of the best interests of our funds, investors, and clients.

We do not apply a common rule approach to proxy voting. It is in the hands of the portfolio managers to make their decisions based on their knowledge of the company and other background information. Therefore, at times Guinness will vote against Glass Lewis recommendations when we believe it is in the best interest of shareholders to do so. When votes are made against either management or Glass Lewis, we note the rationale for doing so. Examples of these are noted under this Principle.

For example:

- Several votes have been made against companies in carbon-intensive industries if they fail to disclose to CDP.
- Remuneration policies have been voted against when they are measured against short-term performance, and measurements that can be easily manipulated such as Total Shareholder Return (TSR). At Guinness we believe performance targets should not be associated with short-term share performance. This is because these targets can be influenced by several factors: including temporary sentiment and current news. We believe remuneration should deter excessive risk taking and attention should be given to agreements, such as clawbacks and malus, to avoid awarding despite failure.
- Auditors are voted against when it is clear they have exceeded an acceptable tenure. To safeguard independence, we believe companies should rotate their auditor over time.

Clients

House Policy

It is not possible for individual clients to override our policies.

Segregated & Pooled Accounts

During the reporting period, all client accounts were pooled accounts such as funds. It has therefore not been possible for individual investors to override our policy or direct voting.

Stock Lending

We do not engage in stock lending, helping to avoid uncertainty over beneficial ownership or 'empty voting'.

Voting Statistics

Since 2020, we have reported voting results quarterly. The latest report can be found at: https://www.guinnessgi.com/about-us/responsible-investment#tab-literature . We have made the decision to increase the transparency of our voting reports since the launch of our new website.

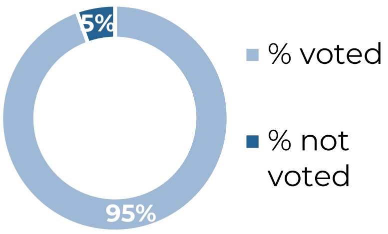
Table 4, below, summarises all voting data in the reporting period.

Table 4: Voting Summary Results

	ASIA				GLOBAL					SPECIALIST			TOTAL
	Asian Equity	Best of Asia	Best of China	Emerging Markets	Global Equity	Global Innovators	European Equity	Sustainable Global Equity	UK Income	Money Managers	Global Energy	Sustainable Energy	
Number of resolutions	**445**	**494**	**665**	**497**	**564**	**475**	**597**	**390**	**586**	**401**	**508**	**403**	**6025**
% voted	99%	100%	100%	99%	91%	95%	77%	90%	100%	90%	100%	94%	**95%**
% not voted	1%	0%	0%	1%	9%	5%	23%	10%	0%	10%	0%	6%	**5%**
Of those voted...													
Voted For	80%	84%	78%	83%	86%	71%	89%	81%	96%	79%	65%	75%	**81%**
Voted Against	19%	16%	21%	14%	14%	25%	10%	17%	4%	14%	23%	14%	**16%**
Abstained/ Withhold/Other	1%	1%	0%	3%	1%	4%	2%	2%	1%	6%	11%	11%	**3%**

This does not include our US or multi-asset strategy voting statistics.

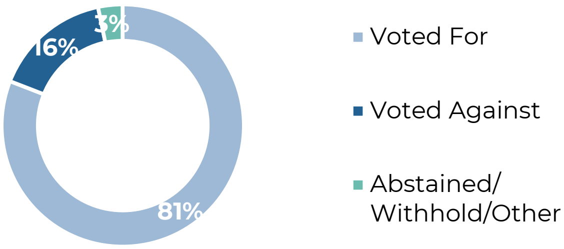
Figure 13: Proportion of resolutions voted



As of 31st December 2022

Source: Guinness Global Investors, Glass Lewis

Figure 14: Vote decisions of voted results



As of 31st December 2022

Source: Guinness Global Investors, Glass Lewis

During this reporting period, our investment team voted on 95% of the 6,025 proxy votes that were available to them. Most missed votes were either due to administrative arrangements preventing votes being cast (due to missing power of attorneys) or because it was not in the best interests of clients to vote (due to restrictions on liquidity or 'share blocking').

Voting Decisions

Examples of rationales behind some of the investment team's voting activities during the reporting period. The examples also provide outcomes of the resolutions voted on.

Global & Developed Markets Team

Company	Texas Instruments
Last Meeting Date	28th April 2022
Guinness vote decision	AGAINST
Management recommendation	FOR
Glass Lewis recommendation	FOR
Proposal Text	Advisory Vote on Executive Compensation
Comment	Texas Instruments is a 'trailing-edge' semiconductor designer and manufacturer, with a focus on analogue and embedded processors. Using our remuneration scorecard, we identified a number of key areas within the firm's executive compensation package that were below satisfactory, in our view. The majority of the short-term incentive plan was based on a 'Performance Bonus' – a cash bonus awarded purely on a discretionary basis, with no disclosed upper limit. We prefer to see a formulaic approach with transparent targets and weights, alongside a disclosed upper limit to mitigate against excessive compensation. In addition, the firm did not have a performance based long-term incentive plan in place. Instead, the firm attempted to align performance through paying out a pre-determined number of Stock Options and RSUs, the quantum of which was calculated on a discretionary basis (although the committee targets the median level of equity compensation in a comparator group). These are paid out regardless of company performance. In our view, this compensation package was unsatisfactory. The use of discretion within the package meant not just low transparency into how the quantum of compensation was calculated, but created unnecessary upside risk to excessive pay-outs. In addition, the design of the long-term incentive plan (in the sense that it was time-based, rather than performance-based) did not adequately align executive interests with those of the long-term interests of shareholders, in our view – particularly as very little of the plan was truly 'at risk'. As a result, we voted against for the 'advisory vote on executive compensation', and also expressed our concerns via email later in the year. This is an ongoing engagement and we will continue to use proxy votes and direct communication to encourage better governance.
Outcome	This management resolution had 12% voting against/withheld management recommendation.

Specialist Equity Team

Company	Shell
Last Meeting Date	24th May 2022
Guinness vote decision	AGAINST
Management recommendation	FOR
Glass Lewis recommendation	FOR
Proposal Text	Elect Ann F. Godbehere (Chair of AuditCo)
Comment	We voted against Ann Godbehere, the chair of the Audit Committee at Shell, because the company failed the Carbon Tracker's Climate Accounting and Audit Alignment assessment. Despite their improvement from 2020 in their financial reporting, in particular providing sensitivities of specific assets to oil and gas price assumptions under four different climate scenarios, Shell failed to provide sufficient details to improve on its binary metric scores including a lack of detail on the carbon prices it used and how the estimated costs of using offsets or CCS as part of their goal to achieving its net climate targets were incorporated into impairment tests. Also, of the sensitivities that Shell provided, none used a scenario aligned with net zero by 2050 / no more than 1.5-degree warming.
Outcome	This management resolution had 2% voting against/abstain management recommendation.

Asia & Emerging Markets Team

Company	JB Hi-Fi
Last Meeting Date	20th October 2022
Guinness vote decision	AGAINST
Management recommendation	FOR
Glass Lewis recommendation	FOR
Proposal Text	Remuneration Report
Comment	We believe the use of EPS growth (3-yr CAGR notwithstanding) is too narrow a metric. We prefer a more encompassing measure such as Return on Capital. We are happy with the performance of the business prior to, during and after the pandemic. The votes against are because the remuneration plan falls short of best practice, in our view.
Outcome	This management resolution had 2% voting against management recommendation.

Monitoring shares and voting rights

Our voting records are recorded and analysed regularly, therefore allowing our Compliance and senior management team to review any decisions (or exceptions) with the relevant portfolio manager. These records allow the monitoring of votes missed, votes against management and Glass Lewis (since adopting the Glass Lewis resources), covering the specific topics. This also enables the monitoring of recommendations from our proxy advisers. Voting is monitored and discussed in weekly investment team voting meetings, Monday investment team meetings and quarterly Responsible Investment Committee meetings. Any further discussions may be taken to senior management meetings.

Approval

This statement has been approved by

Edward Guinness, CEO

on behalf of the Board of Guinness Global Investors

Date: Effective April 2023

Important Information